ANNUAL REPORT 1994

CUTTING THROUGH TRADITIONAL PRODUCT AND INSTITUTIONAL BOUNDARIES TO OPERATE AT A DEEPER, MORE FUNDAMENTAL LEVEL, BANKERS TRUST CREATES TAILORED SOLUTIONS TO RESPOND TO OUR CLIENTS' MOST CRITICAL NEEDS AND OBJECTIVES.

—

CHARLES S. SANFORD, JR.

Bankers Trust
New York Corporation

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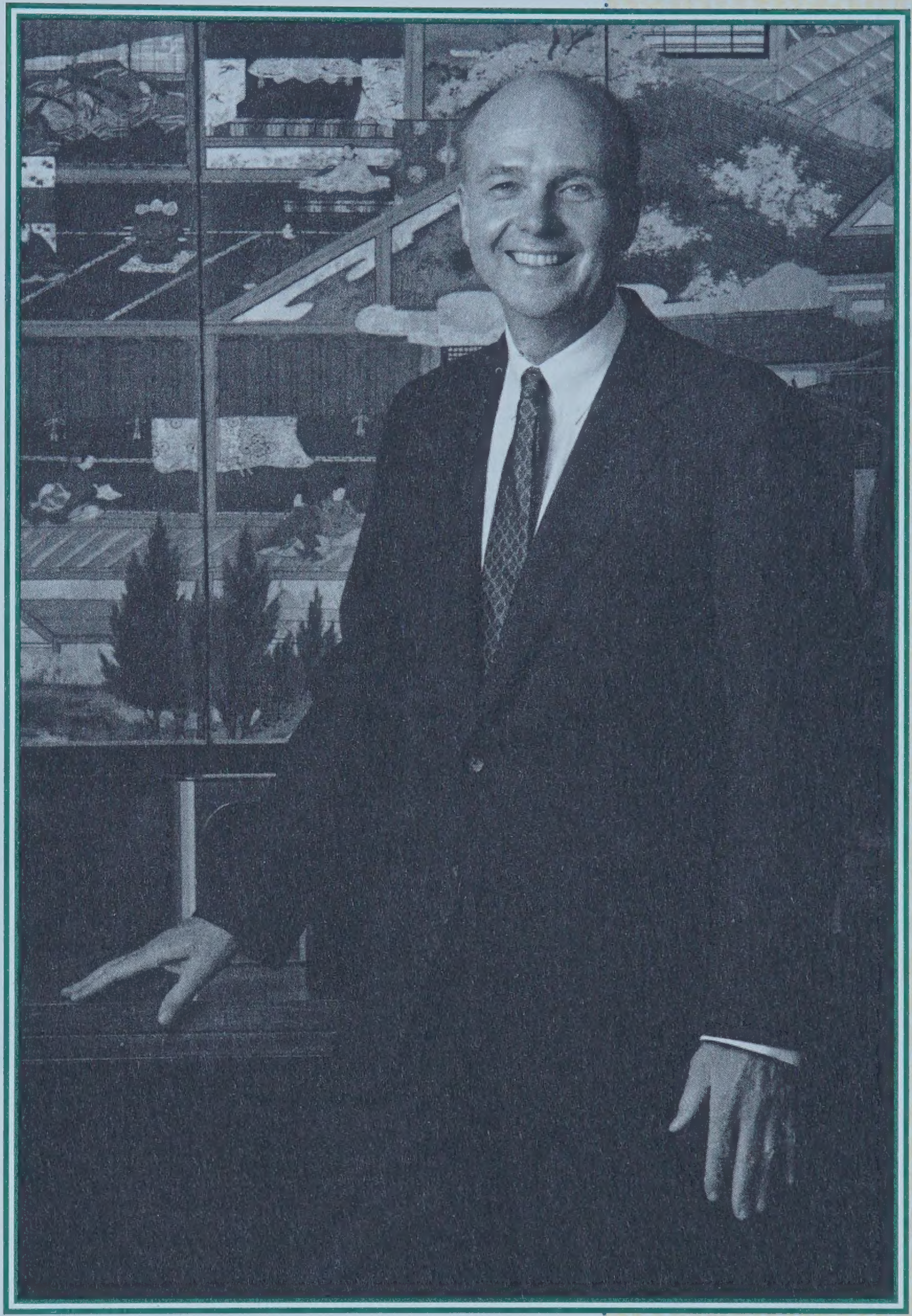
FINANCIAL HIGHLIGHTS

($ in millions, except per share data)	1994	1993	1992	Increase (Decrease) 1994/93	Increase (Decrease) 1993/92
FOR THE YEAR					
Net Interest Revenue (fully taxable basis)	$ 1,255	$ 1,396	$ 1,199	(10)%	16%
Noninterest Revenue	2,473	3,364	2,331	(26)%	44%
Income Before Cumulative Effects of Accounting Changes	615	1,070	639	(43)%	67%
Net Income	615	995	1,085	(38)%	(8)%
Return on Average Common Stockholders' Equity (1)	13.48%	26.33%	19.52%	(49)%	35%
PER COMMON SHARE					
Primary Earnings Per Share					
Income Before Cumulative Effects of Accounting Changes	$ 7.17	$ 12.40	$ 7.23	(42)%	72%
Net Income	7.17	11.51	12.53	(38)%	(8)%
Cash Dividends Declared	3.70	3.24	2.88	14%	13%
Market Price, End of Year	55.375	79.125	68.50	(30)%	16%
Book Value, End of Year (2)	53.67	51.90	43.23	3%	20%
CAPITAL RATIOS, END OF YEAR					
Common Stockholders' Equity to Total Assets	4.44%	4.65%	4.97%	(5)%	(6)%
Total Stockholders' Equity to Total Assets	4.85%	4.92%	5.65%	(1)%	(13)%
Risk-Based Capital Ratios (3)					
Tier 1 Capital	9.05%	8.50%	7.75%	6%	10%
Total Capital	14.77%	14.46%	13.64%	2%	6%
Leverage Ratio	5.26%	6.28%	6.05%	(16)%	4%
AT YEAR END					
Trading Assets	$47,514	$48,276	$29,908	(2)%	61%
Loans	12,501	15,200	17,318	(18)%	(12)%
Total Assets	97,016	92,082	72,886	5%	26%
Deposits	24,939	22,776	25,071	9%	(9)%
Total Short-Term Borrowings	33,839	42,826	29,230	(21)%	47%
Common Stockholders' Equity	4,309	4,284	3,621	1%	18%
Total Stockholders' Equity	4,704	4,534	4,121	4%	10%

(1) These returns exclude the cumulative effects of accounting changes recorded in 1993 and 1992.
(2) This calculation includes the effect of common shares issuable under deferred stock awards.
(3) All three regulatory capital ratios, at both December 31, 1994 and 1993, exclude any benefit from the adoption of SFAS 115.

To Our Shareholders



Charles S. Sanford, Jr.
Chairman

The competitively strong 1994 results of Bankers Trust New York Corporation and the outstanding performance of our over 14,000 employees worldwide were clouded somewhat by difficulties we experienced in one area of the business, leveraged derivatives.

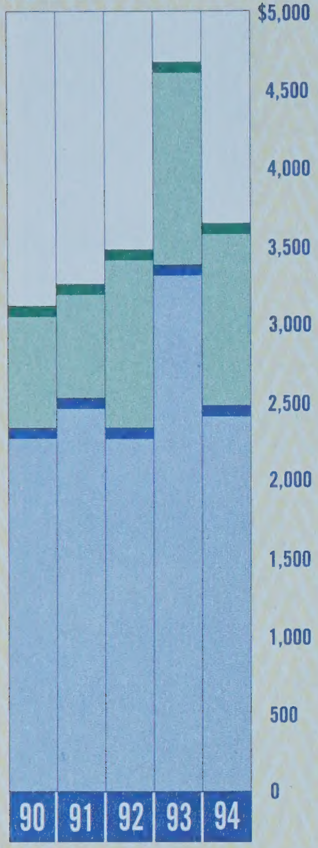
A very few of our employees in the leveraged derivatives group did not abide by our standards. They have been disciplined. Regulators have sanctioned the Corporation — however, it is important to note that they have not restricted our business.

Bankers Trust's rules are more exacting than any government regulations. They always have been. And because of the trust that our clients, employees and shareholders place in us, they should be. Just as we routinely exceed the capital reserves required of us by regulators, the standards of conduct we have developed in our more than 90-year history of service to clients are far more stringent than those required by law, and we take those standards very seriously.

We remain committed to risk management as a cornerstone of our franchise. Especially in these difficult markets, corporations and investors need customized risk-management products, and it has been our ability to provide solutions of this kind that has won Bankers Trust a reputation as the most innovative firm — commercial or investment bank — in the industry.

We have taken several qualitative steps to build on this reputation: We have rededicated ourselves to openness. Our clients can count on us to set the industry's highest standards of price transparency and disclosure relating to their derivatives contracts. And our shareholders can count on receiving more information from us, as well. In the Management's Discussion &

TOTAL REVENUE
(Millions)



Net Interest Revenue (Book Basis)
Noninterest Revenue

"BANKERS TRUST HAS TRANSFORMED ITSELF IN RECENT YEARS INTO A SOPHISTICATED MANAGER OF FINANCIAL RISKS FOR ITSELF AND ITS CUSTOMERS."

THE ECONOMIST
March 26, 1994

Analysis of this report, we have a new section on Risk Management that aims to clarify and quantify our risk positions. This discussion, together with a number of more technical changes to our disclosures, should provide readers with a clear presentation of how we manage internal risk.

The difficulties we experienced last year have reinforced some valuable lessons for all of us at Bankers Trust — about the importance of building relationships, about who we are and how we want to do business. The many positive aspects of Bankers Trust's performance in 1994 also provided important lessons.

THE MANY POSITIVE ASPECTS OF BANKERS TRUST'S PERFORMANCE IN 1994 PROVIDED IMPORTANT LESSONS

LESSON: THE STRENGTH OF THE FRANCHISE

Last year was a difficult one in the global financial markets. Bankers Trust's earnings were down from 1993's record level. The Corporation earned $615 million, or $7.17 primary earnings per share.

At 13.5%, our return on equity was one of the highest in our industry peer group. As Raphael Soifer, Brown Brothers Harriman's banking analyst, put it: Return on equity was "well below BT's ten-year average of 20%… but many of the banks we follow would like to do that well when they have GOOD years."[1] In 1993, when our trading operations netted a phenomenal profit of over half a billion dollars, it was easy for outsiders to dismiss Bankers Trust as "just a trading and derivatives house." The volatile and unpredictable markets in 1994 hit many of our competitors hard. Those who rely excessively on their trading businesses had difficulty reporting a profit at all. The $615 million that Bankers Trust earned in 1994 is clear and unequivocal proof that this Corporation has built a strong, diverse franchise that will serve us well over the long term.

Many of our client-based businesses had a banner year. Virtually every one of them showed an increase in either the number of clients served or the number of mandates from existing clients.

Client Transaction Processing had its best year ever, bringing in a net income of nearly $100 million. And Client Finance, with net income of $140 million, had its best year since 1989. Client Advisory revenues showed strong improvement with a 38% increase to $87 million.

Our Asset Management business continues to grow. With more than $180 billion under management, Bankers Trust is the second-largest U.S.-based asset manager. Despite the downturn in the markets last year, Asset Management registered a significant increase in both the number of clients and the amount of money under management.

Asset management is a particular strength of Bankers Trust Australia Limited. Regarded as the preeminent foreign bank in Australia, BTAL had another outstanding year in 1994. With more than A$25 billion of assets under management, BTAL is now the second-largest funds manager in Australia and the largest among foreign banks. It is also one of the most profitable financial institutions in Australia, with a 1994 return on equity of 24%.

[1]Soifer, Raphael, BT: *The Good News Is That 1994 Is Over, But What About 1995?*, Brown Brothers Harriman, January 19, 1995.

BT Investment Small Cap Fund was just one of our funds that outperformed its benchmark, posting a total return of 19.31% — versus the Russell 2000 Index's loss of 1.82% and the Lipper Small Cap Average's loss of 0.72%. The Small Cap Fund was ranked number four of 211 mutual funds in the *Wall Street Journal*'s 1994 Mutual Fund Scorecard. *Business Week* also named it one of the best equity mutual funds of 1994. As a provider of services to mutual funds, Bankers Trust was rated the number one custodian bank in the 1994 DALBAR Custody Rankings.

As for benchmarks, we established one of our own during 1994 — the Bankers Trust Commodity Index. Combining three classes of commodities (energy, base metals and precious metals), the index is designed to provide a meaningful, simple and practical benchmark for investment in the commodities markets. In addition to giving investors a way of evaluating their commodity investments, the index is also a source of new products to help our clients manage their commodities exposure.

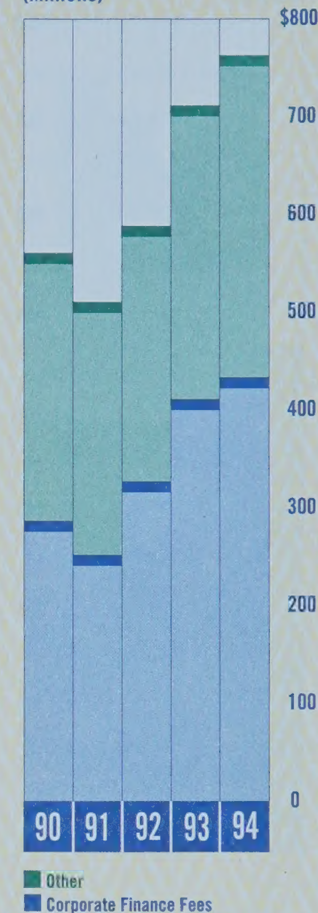
In Greenwich Associates' 1994 survey of 116 state and corporate pension funds, hedge funds, insurance companies and mutual funds that use equity derivatives, Bankers Trust scored top honors. *Derivatives Week*, reporting the findings of the survey, commented: "As BT is a pioneer in the field, its first place ranking was not surprising to most participants."[2] BT ranked first for our ability to generate new ideas, responsiveness to customers and capacity to tailor products to customers' needs as well as for our understanding of investing and hedging strategies.

OUR EARNINGS ARE CLEAR AND UNEQUIVOCAL PROOF THAT WE HAVE A STRONG, DIVERSE FRANCHISE

Three fixed-income research analysts from BT Securities landed on *Institutional Investor*'s prestigious "All-Star Team" in 1994. It is worth noting that All-Stars are selected not by the magazine's editorial staff but by *clients* — who are asked to rate analysts not just on the wisdom of their opinions but also on the service they provide, on their responsiveness to clients' needs. The creativity, service and relationship-building that characterized the efforts of these professionals can be found in all of our successful transactions in the past year.

WestPoint Stevens Inc., the number one manufacturer of sheets in the United States, was formed at the end of 1993 by the merger of two Bankers Trust clients, WestPoint and Valley Fashions. So it was natural for the new company to ask Bankers Trust to advise it on structuring its $1.35 billion comprehensive refinancing in early 1994. The refinancing combined a bank loan, partly underwritten by Bankers Trust, high-yield bonds, asset-backed securities and equity. Six months after the refinancing, WestPoint Stevens turned to Bankers Trust for a $160 million trade receivables–backed financing. BT Securities created a master trust that offered two classes of certificates using a senior/subordinated structure. This transaction marked three important firsts: It was the first time a noninvestment-grade company has been able to securitize trade receivables without third-party credit enhancement. It was the first public securitization of trade receivables to feature a subordinated issue. And it was the first offering in *any* market of such an issue in which a noninvestment-grade company received an Aaa rating from

FEES AND COMMISSIONS
(Millions)

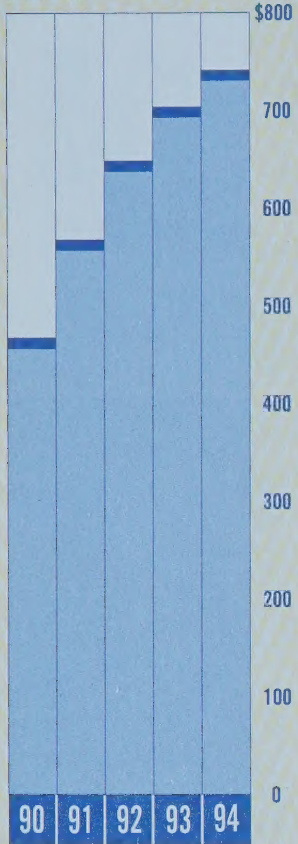


"THE FEDERAL RESERVE BANK OF NEW YORK AND THE NEW YORK STATE BANKING DEPARTMENT HAVE AWARDED BANKERS TRUST COMPANY AN OUTSTANDING RATING FOR COMPLIANCE WITH THE COMMUNITY REINVESTMENT ACT."

AMERICAN BANKER
December 14, 1994

[2]Shultz, Janine, "BT Sweeps Top Slots in 1st Greenwich Associates Equity Derivatives Survey," *Derivatives Week*, May 23, 1994.

FIDUCIARY AND FUNDS MANAGEMENT REVENUE
(Millions)



"OVER THE PAST DECADE BT HAS EMERGED AS A NEW TYPE OF FINANCIAL INSTITUTION.... IN AN AGE OF INCREASING SOPHISTICATION, IT HAS REDEFINED TRADITIONAL BANK BUSINESS AS THE ASSESSMENT AND MANAGEMENT OF RISK."

ASIAN BUSINESS

September 1994

Moody's. *Institutional Investor* named the WestPoint Stevens financing one of its "Deals of the Year," one of three Bankers Trust transactions so honored.

Bankers Trust's Real Estate Finance Group did more business than all but one of its competitors during 1994. For Radnor Corporation, a wholly owned real estate subsidiary of Sun Company, the group arranged one of the largest nondistressed real estate asset sales in several years, the sale of three office properties. After a highly competitive auction managed by BT Securities, Radnor received the highest price achieved for office property in the Philadelphia region in recent memory. Bankers Trust has had a relationship with Radnor for over a dozen years, and now serves as its exclusive advisor for an ongoing program of asset dispositions. Sun has been a client for 20 years. The relationship began with direct lending of $6 million and has since expanded to over $200 million in commitments. Over time, this financing relationship has become multidimensional, encompassing private placement, equity raising, co-investment, rated security underwriting and providing advice on asset disposition and restructuring.

With the combined efforts of our Corporate Finance, Structured Finance, Structured Sales, Underwriting, Credit and Equity Capital Markets groups, Bankers Trust structured and syndicated a $2.45 billion recapitalization for Jefferson Smurfit Corporation, one of the largest integrated producers of paperboard, packaging products and newsprint in the United States. While we served as co-arranger and co-senior managing agent with Chemical for that transaction, later in the year Jefferson Smurfit returned to Bankers Trust for two transactions on behalf of its European operation, Jefferson Smurfit Group plc, the largest public industrial company in Ireland. Bankers Trust professionals in Chicago, London, Madrid, New York and Paris arranged a 3 billion French franc term loan (US$603 million), which was used to finance Jefferson Smurfit's acquisition of the paper and packaging business of Compagnie de Saint-Gobain. This was the largest acquisition in the European forest products sector since 1990. We initiated the transaction through our long-standing relationships with both Jefferson Smurfit and Saint-Gobain and acted as exclusive financial advisor to Jefferson Smurfit. In addition to our work on the credit and investment banking components of these transactions, Bankers Trust's Hedge Management Unit managed the conversion of a sizable amount of Irish pounds into French francs despite a thin and illiquid market.

ONE OF THE CORPORATION'S STRENGTHS IS OUR INTERNATIONAL REACH

As our transactions for Jefferson Smurfit illustrate, one of the Corporation's strengths is its international reach. During 1994 we enhanced our global presence by opening a branch office in Beijing and an operations center in Dublin. We also participated in many important financial firsts: the first leveraged buyout syndicated in Europe and the first derivatives-linked fund (both for Portugal); the first U.S. dollar-denominated warrants on the Indian Stock Exchange; the first exchangeable bond issue in Taiwan; the first debt offering for the government of Malta. And we brought new international participants to the United States, including a private placement backed by credit card receivables, which marked the

first time a private company from Turkey was able to access the U.S. market.

The Republic of South Africa appointed Bankers Trust to administer its first global financing, the first international debt issue following the election of Nelson Mandela. Our Corporate Trust and Agency Group served as fiscal agent, paying agent and registrar for the $750 million transaction. This group maintained its leading position in the Eurobond market, providing fiscal agent and principal paying agent services on 201 issues in 1994. It also served as depositary bank for the first Uruguayan Global Depositary Receipt program. In addition, through its Hong Kong office and its U.K. trust company, the group provided paying agent and trustee services on one of the first Hong Kong mortgage-backed transactions in recent years, for Standard Chartered Bank.

THE STRENGTH OF OUR FRANCHISE RESTS ON THE STRENGTH OF THE COMMUNITIES IN WHICH WE OPERATE

Our Asian businesses fared particularly well, despite the stressful market environment. We led all of our competitors — including Asian firms — in underwriting medium-term notes in the region, more than doubling our 1993 market share.

We structured the first global bond offering for a Philippine issuer — the first U.S. registered debt offering for a Philippine company since 1976. This transaction, for Philippine Long Distance Telephone Company, was also the first effort of Bankers Trust's new Global Finance Group, which leverages the talents of the Corporation's sales and marketing professionals from all over the world. With BT Securities serving as lead manager and Bankers Trust International serving as one of five co-lead managers, $250 million of global bonds were placed with a diverse group of emerging market, high-yield and high-grade investors — 75% of them U.S.-based, 15% European and the balance in Asia.

Tele 2000, a major Peruvian cable and cellular telecommunications company, made its debut in the international public market with a three-year, $40 million Euro and 144A convertible structured and lead-managed by Bankers Trust. Despite the difficult market conditions surrounding its launch — the volatility in Latin American markets because of uncertainty about U.S. interest rates — the issue performed impressively, trading up shortly after the syndication period ended.

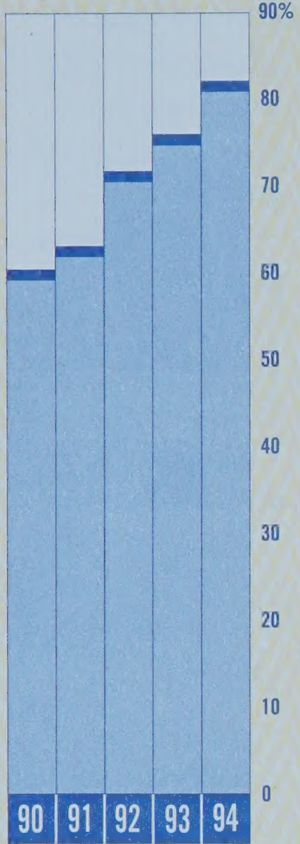
Our mortgage-backed security issue for Comptoir des Entrepreneurs (CdE), the largest securitization of commercial real estate assets ever, became one of *Institutional Investor*'s Deals of the Year. A mortgage bank partly owned by the French government, CdE wanted to sell more than US$1.56 billion of distressed loans. Bankers Trust's solution — three tranches of AAA-rated senior debt, a Eurofranc bond and two separate floating-rate notes — allowed our client to receive near book value for these assets.

Recognizing that the strength of our franchise rests on the strength of the communities in which we operate, Bankers Trust's Community Development Group and the BT Foundation continue to redefine the manner in which the private sector participates in the revitalization of distressed communities. New investments in supermarket developments

"WHEREAS INVESTMENT BANKS GENERALLY HAVE ONLY REP OFFICES IN MOST COUNTRIES IN ASIA, BT'S SECURITIES AND BANKING OPERATIONS HAVE LOCAL OFFICES LOCATED THROUGHOUT THE REGION. LOCAL OFFICES MEANS LOCAL KNOWLEDGE. LOCAL KNOWLEDGE, WHEN COUPLED WITH GLOBAL REACH, MEANS SUCCESS."

GLOBAL FINANCE
October 17, 1994

AVERAGE LIQUID ASSETS AS A PERCENT OF TOTAL GROSS ASSETS



"IN FACT, AS U.S. COMPANIES PAUSE TO REVIEW THEIR POLICIES ON DERIVATIVES, MANY ARE TURNING TO BANKERS TRUST FOR ADVICE, AND WITH GOOD REASON."

BARRON'S
October 3, 1994

and franchise businesses are pioneering ways to create business ownership opportunities and jobs in the inner city. These and other leadership initiatives have once again earned Bankers Trust "outstanding" Community Reinvestment Act ratings from the Federal Reserve Bank of New York and the State of New York Banking Department.

The Corporation also launched a program of strategic global philanthropy during 1994 that recognizes a responsibility to the diverse communities in which we conduct our business around the world. In Latin America, a grant is helping to preserve natural resources as a means to advance the self-sufficiency of indigenous people; in London's inner city, young entrepreneurs are receiving financing and ongoing business advice; and in the most needy areas of the People's Republic of China, the Community Development Fund for China, a major five-year gift, is supporting access to elementary education.

RISK MANAGEMENT HAS BECOME CRUCIAL FOR OUR CLIENTS

LESSON: RISK AND REWARD

The global markets became more difficult to navigate in 1994, with interest rates moving unexpectedly, economic difficulties in less developed countries, erratic currency fluctuations. Market conditions such as these can be difficult enough for financial professionals; they can be treacherous for our clients.

In such a volatile environment, it is more important than ever for clients to understand the risk profiles of their businesses. Risk management has become crucial.

Some financial institutions have seized on risk management as a new concept — a good way to generate some revenues until trading income rebounds. But it is nothing new for Bankers Trust. We have been talking to our clients about strategic risk management for five years now. And during that time, we have helped hundreds of clients to identify and sidestep avoidable risks, to strengthen their competitive positions by managing their risks as carefully as they manage their inventories.

Cutting through traditional product and institutional boundaries to operate at a deeper, more fundamental level, Bankers Trust creates tailored solutions to respond to our clients' most critical needs and objectives. By identifying, disaggregating, buying, selling and repackaging the risk attributes of our clients' companies, our professionals have provided our clients with a new process for delivering business solutions.

We believe that this approach — what we call "risk merchant banking" — will revolutionize the diagnosis and treatment of significant risk problems. Unlike traditional distributors, who either execute generic transactions in response to a client's stated desires or attempt to persuade a client that trading some object in inventory is consistent with the client's goals, as risk merchant bankers we do not ask what transaction the client is considering, we ask what ultimate goal the client desires.

Client information is the spark that ignites the process. Taking that information, the banker produces a response, the client critiques the response and the process starts

over again. Just as an expert tailor measures, remeasures and then pins and stitches until a suit fits perfectly, the risk merchant banker must constantly reassess, question and suggest ideas until the solution precisely fits the client's needs. This process is communication-intensive. But we have found that by working in this way, we can do more than create novel financial instruments; we can build relationships, educate and help our clients to better manage their companies' risks.

RISK MERCHANT BANKING WILL REVOLUTIONIZE THE TREATMENT OF SIGNIFICANT RISK PROBLEMS

Managing risk does not always mean using derivatives. When ITT weighed the risks of acquiring a casino property in Las Vegas, we assisted in evaluating potential risks of building a new property versus buying an existing one and subsequently co-counseled ITT on its purchase of Caesar's World. Bankers Trust has maintained a relationship with ITT Corporation for decades — they were our first commercial paper client back in 1978 — but of late our relationship has primarily been in the areas of derivatives and global assets. We earned the advisory role because of a transaction earlier in the year, when ITT wanted to purchase the Italian luxury hotel chain Ciga S.p.A. We used our capital markets expertise, as well as our ability to commit resources and capital quickly, to purchase Ciga shares for our client in a manner that allowed ITT to acquire the company at a lower price than anyone had thought possible.

In 1990, Bankers Trust put together one of the first investment products to use the power of derivatives to meet the needs of individual investors. Designed for conservative investors who wish to broaden the range of their investments without placing their principal at risk, our Market-Linked Deposits provide for the return of investors' principal at maturity as well as participation in any gain in the underlying equities, currencies or other financial instruments during the life of the product. We offered four new Market-Linked Deposits in 1994: one based on currency exchange rates, two based on foreign equities and one based on commodities.

We utilized this same sort of innovative structure — protecting principal — during the privatization of the French firm Rhône-Poulenc. One of Europe's largest industrial concerns, Rhône-Poulenc was also one of the first nationalized companies to be privatized in France. According to the terms of the French privatization act, 10% of the shares sold by the government must be reserved for employees of the company being sold. While this would be no problem in many countries where workers have long recognized the benefits of owning stock, in France there is no tradition of employee share ownership. The usual solution to this dilemma is to offer employees a large discount (often up to 20%) on the shares they purchase. We saw two drawbacks to that scheme: First, it would create additional expense for our client, and second, it would only ensure that employees would *buy* the shares — it did nothing to encourage employees to hold them.

Bankers Trust's solution — created by our people in Client Coverage, Public Equities, Corporates and the Investor Group in London and Paris — combined loans to encourage employees to purchase larger numbers of shares (allowing them to borrow

"TWENTY YEARS AGO BANKERS TRUST WAS NOT KNOWN, AS IT IS NOW, FOR ITS SHARP YOUNG MATHEMATICIANS. IT WAS AN ORDINARY COMMERCIAL BANK, DOING RATHER LESS WELL THAN MOST OF ITS RIVALS IN A BUSINESS WHICH, CLEVER PUNDITS WERE BEGINNING TO SAY, WAS SLOWLY BEING KILLED BY NEW TECHNOLOGY. BANKERS TRUST SAVED ITSELF BY BECOMING A COMPLETELY NEW KIND OF BUSINESS, ALBEIT ONE THAT IS STILL CALLED A BANK. IN THAT SENSE IT HAS BECOME A SYMBOL OF THE INDUSTRY AS A WHOLE."

THE ECONOMIST

April 30, 1994

"BANKERS TRUST HAS LONG BEEN A PIONEER. IT WAS THE FIRST COMMERCIAL BANK ALLOWED TO PLACE COMMERCIAL PAPER FOR CLIENTS.... IT WAS ONE OF THE FIRST COMMERCIAL BANKS PERMITTED TO UNDERWRITE SECURITIES, SOMETHING THAT'S BECOME ALMOST COMMONPLACE THESE DAYS.... IN THE HIGH-YIELD BOND UNDERWRITING ARENA, BANKERS TRUST RANKED NO. 2 IN THE SECOND QUARTER, JUST THREE YEARS AFTER ENTERING THE FIELD..."

BARRON'S
October 3, 1994

the money to purchase nine additional shares for every one share they bought outright) and derivatives to put a floor in the stock price, guaranteeing them a minimum return after five years. Employees responded enthusiastically to this risk-reduction program, purchasing over 1.8 million shares of the company for US$42 million, well over the 10% allocation. Later in the year Elf Aquitaine, another French firm in the process of privatizing, came to us for a similar transaction, which was 90% oversubscribed. *Institutional Investor* named Elf Aquitaine one of its derivatives Deals of the Year.

Our derivatives-based solution to these French privatizations introduced thousands of individuals, workers who might otherwise not have invested in stocks, to the capital markets. Their experience as owners of their own companies may, we hope, encourage them to buy additional shares of their own companies or others. These are the kinds of benefits that the financial services industry can provide. And we are proud to be one of the providers, adding value for investors large and small and for society as a whole.

LESSON: ADDING VALUE FOR SHAREHOLDERS TOO

We think our historical return on equity — which averaged 22% over the last four years — demonstrates that we have been using your money wisely, but there is always room for improvement.

As most financial firms are doing these days, we are examining our expense management. Each of our business lines is reviewing the 1995 plan with the goal of contributing to a significant corporation-wide expense reduction. We are committed to devoting whatever resources are necessary to enhance our relationships with our clients. And we will continue to invest in businesses that will broaden and diversify our revenue base — including securities underwriting, loan syndication, institutional asset management, private banking, transaction processing and private equity investing. Our expense review will ensure that we make the most efficient use of the Corporation's resources in achieving those objectives.

We are looking to adopt reward systems that give greater emphasis than before to teamwork and the performance of broad groups. We also want to reward more specifically work that builds franchise and equity values. With the support of our Board, we are enacting a new compensation structure that will encourage more employees to think of our shareholders' money as their own — because it will increasingly *be* their own. We are moving to increase the equity-to-cash ratios in the compensation of a broad range of employees. You will note in the accompanying Proxy Statement that our senior managers received on average four dollars' worth of stock for every dollar of cash compensation last year. That clearly represents a significant commitment to the Corporation.

RELATIONSHIPS, EXPERTISE, INNOVATION — THESE ATTRIBUTES HAVE SERVED BANKERS TRUST WELL

LESSON:
THOSE WHO DO NOT STUDY HISTORY...

The financial industry is a cyclical industry. Even successful firms will have periods in which their earnings dip. But the most successful firms will come out of the bottom of the cycle stronger than they were when they went into it. We believe that Bankers Trust is such a firm.

While much of the financial industry is in flux — with competitive alignments shifting weekly, some firms merging, others disappearing — Bankers Trust is sticking with the long-term strategy we developed and articulated several years ago. Many of the businesses we have been growing for several years brought in handsome returns in 1994. We will continue to invest in new businesses (although we never seek to be all things to all people) that will blossom in a few years' time.

We see risk management not just as the future of this Corporation, but as the future of our clients' companies, as well. Every part of our business is involved in risk management to some degree, and our expertise in this area is enhancing both our internal culture and our external relationships with clients — witness the transaction we closed in January for the Dr Pepper/7-Up Companies.

In the ten years since our relationship with Dr Pepper/7-Up began, the company has engaged in transactions with virtually every sector of Bankers Trust. We have arranged bank loans, equity ownership, public and private debt placements, stock offerings — both common and preferred — and entered into derivatives transactions with the company, as well as offering it private banking and trust services and investment banking advice. Our relationship came full circle when DrPepper/7-Up retained Bankers Trust as an advisor on the $1.7 billion sale of the firm to Cadbury Schweppes, the British beverage conglomerate.

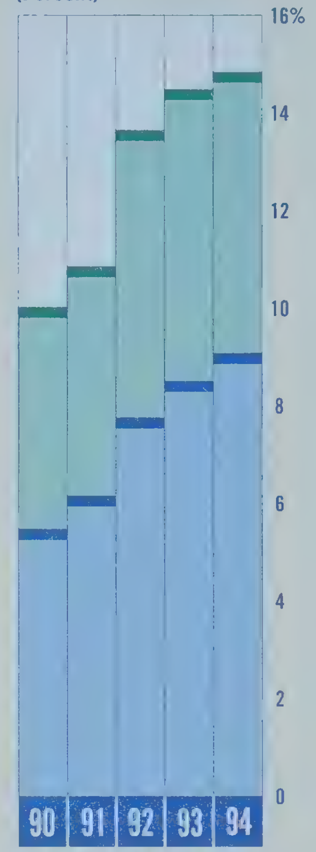
And Rhône-Poulenc has broadened its relationship with Bankers Trust, retaining us as exclusive financial advisor in the sale of part of its chemical business in France and Spain to a Canadian company. This was one of the largest divestitures that Rhône-Poulenc has undertaken, and it marked an important milestone for our French advisory business.

Relationships, forged over the long term; expertise, leveraged across product lines and across geographical boundaries; innovation, displayed in the ability to adapt to a changing environment — these are the attributes that characterize a successful financial institution. These qualities have served Bankers Trust well in the past, and with the continued dedication of our talented professionals around the world, they will serve us well in the future.

Charles S. Sanford Jr.

CHARLES S. SANFORD, JR.
Chairman

RISK-BASED CAPITAL: TOTAL CAPITAL RATIO, END OF YEAR*
(Percent)



*In accordance with 1992 guidelines.

"BANKERS TRUST HAS MADE A UNIQUE NAME FOR ITSELF AS THE FINANCIAL HOUSE TO GO TO FOR INNOVATIVE SOLUTIONS."

ASIAN BUSINESS
September 1994

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Table 1 Five-Year Summary of Selected Financial Data

($ in millions, except per share data)	1994	1993	1992	1991	1990
For the Year					
Net interest revenue (book basis)	$ 1,172	$ 1,314	$ 1,147	$ 737	$ 793
Noninterest revenue	2,473	3,364	2,331	2,522	2,327
Income before cumulative effects of accounting changes	$ 615	$ 1,070	$ 639	$ 667	$ 665
Cumulative effects of accounting changes	—	(75)	446	—	—
Net income	$ 615	$ 995	$ 1,085	$ 667	$ 665
Per Common Share					
Primary Earnings Per Share					
Income before cumulative effects of accounting changes	$ 7.17	$ 12.40	$ 7.23	$ 7.65	$ 7.71
Cumulative effects of accounting changes	—	(.89)	5.30	—	—
Net income	$ 7.17	$ 11.51	$ 12.53	$ 7.65	$ 7.71
Fully Diluted Earnings Per Share					
Income before cumulative effects of accounting changes	$ 7.17	$ 12.29	$ 7.22	$ 7.65	$ 7.70
Cumulative effects of accounting changes	—	(.88)	5.29	—	—
Net income	$ 7.17	$ 11.41	$ 12.51	$ 7.65	$ 7.70
Cash dividends declared	$ 3.70	$ 3.24	$ 2.88	$ 2.605	$2.3825
— as a percentage of net income (1)	52%	26%	40%	34%	31%
Book value, end of year (2)	53.67	51.90	43.23	34.93	30.70
Market price					
High	84 5/8	83 1/2	70 1/8	68	46 3/4
Low	54 3/4	65 3/4	50	39 1/2	28 1/2
End of year	55 3/8	79 1/8	68 1/2	63 3/4	43 3/8
Price/earnings ratio, end of year (1)	7.7x	6.4x	9.5x	8.3x	5.6x
Cash dividend yield, end of year	7.2%	4.5%	4.6%	4.4%	5.9%
At Year End					
Total assets	$97,016	$92,082	$72,886	$63,959	$63,596
Long-term debt	6,455	5,597	3,992	3,081	2,650
Preferred stock of subsidiary	250	250	—	—	—
Common stockholders' equity	4,309	4,284	3,621	2,912	2,524
Total stockholders' equity	4,704	4,534	4,121	3,412	3,024
Profitability Ratios					
Return on average common stockholders' equity (1)	13.48%	26.33%	19.52%	23.10%	26.74%
Return on average total stockholders' equity (1)	12.97%	25.01%	17.65%	20.59%	24.10%
Return on average total assets (1)	.59%	1.25%	.86%	1.09%	1.04%
Capital Ratios					
Common stockholders' equity to total assets, end of year	4.44%	4.65%	4.97%	4.55%	3.97%
Total stockholders' equity to total assets, end of year	4.85%	4.92%	5.65%	5.33%	4.76%
Average total stockholders' equity to average total assets	4.52%	4.91%	5.44%	5.29%	4.30%
Risk-based capital ratios (1992 year-end guidelines) (3)					
Tier 1 capital	9.05%	8.50%	7.75%	6.11%	5.43%
Total capital	14.77%	14.46%	13.64%	10.86%	10.03%
Leverage Ratio	5.26%	6.28%	6.05%	5.15%	4.49%
Employees, at December 31					
In domestic offices	8,258	8,300	8,096	7,745	8,689
In foreign offices	6,271	5,271	4,821	4,343	4,626
Total	14,529	13,571	12,917	12,088	13,315

(1) These figures exclude the cumulative effects of accounting changes recorded in 1993 and 1992.
(2) This calculation includes the effect of common shares issuable under deferred stock awards.
(3) All three regulatory capital ratios, at both December 31, 1994 and 1993, exclude any benefit from the adoption of SFAS 115.

Management's discussion and analysis of Bankers Trust New York Corporation's results of operations and financial condition appears on pages 15 through 41. The discussion and analysis should be read in conjunction with the financial statements and supplemental financial data which begin on page 44.

RESULTS OF OPERATIONS

Summary of Results

Bankers Trust New York Corporation and subsidiaries (the "Corporation", or the "Firm") earned $615 million, or $7.17 primary earnings per share for 1994. Income before cumulative effects of accounting changes for 1993 was a record $1.070 billion, or $12.40 primary earnings per share.

The 1994 results reflected significant declines in trading and trading-related net interest revenue from the record results achieved in 1993, as market conditions were persistently difficult throughout the year. The 1994 results also reflected record levels of fees and commissions and fiduciary and funds management revenue as well as a decline in noninterest expenses and a lower provision for credit losses.

The Corporation's business and its profitability are affected by a wide range of financial, market, regulatory, political and other factors. During the first quarter of 1995, these factors have created a very difficult business environment. The first quarter to date has shown a deterioration of market conditions in many Latin American countries, continuing slowness in the market for risk management products and unsettled global market conditions, interspersed with several serious market shocks. These adverse factors have created business conditions significantly more difficult than those of the fourth quarter of 1994 resulting in significant declines in many parts of the Corporation's business which, in turn, have negatively impacted earnings. In particular, the Corporation has experienced losses in certain of its Latin America and other trading positions as well as a sharp fall off in revenues from the sale of risk management products. The Corporation cannot predict when the business environment will improve. Management of the Corporation is implementing a number of significant expense reduction programs. Without considering a possible charge in connection with the expense reduction programs, the Corporation estimates that the first quarter will show an after-tax loss of up to approximately $125 million. The Corporation's capital base and liquidity position remain very strong.

Business Functions

In addition to the reported income statement categories, the Corporation breaks down and analyzes its businesses on the basis of five interrelated business functions which represent its core business activities. Their definitions and respective shares of income before cumulative effects of accounting changes are presented below:

- *Client Finance:* Meeting the credit and capital needs of clients.
- *Client Advisory:* Providing advice and structuring transactions designed to implement client financial strategies.
- *Client Financial Risk Management:* Helping clients manage their financial exposures.
- *Client Transaction Processing:* Providing operating and administrative services to clients.
- *Trading and Positioning:* Proprietary activity involving securities, derivatives, currency, commodity and funding transactions, as well as positions assumed as part of client risk management activities.

Because the Corporation's business is complex in nature and its operations are highly integrated, it is impractical to segregate the respective contributions of the business functions with precision. For example, the Client Advisory function is difficult to split from the Client Finance function, since most complex financings include both an element of advice and the arrangement of credit to the client. Further, transactions undertaken for purposes of Client Financial Risk Management may contain an element of Client Finance or Trading and Positioning. Finally, the Trading and Positioning function serves as an element of support for client-based activities. As a result, estimates and subjective judgments have been made to apportion revenue and expenses among the business functions. In addition, certain revenue and expenses have been excluded from the business functions because, in the opinion of management, they could not be reasonably allocated or because their attribution to a particular function would be distortive. In 1994, 1993 and 1992 approximately $41 million, $59 million and $40 million, respectively, of corporate expenses and, in 1992, approximately $95 million of revenue (principally interest) were not allocated or attributed to business functions. The corporate expenses in all years included items such as premises costs for temporarily unoccupied space, and in 1994, also included a charge of $10 million with respect to a settlement with the Securities and Exchange Commission and the Commodity Futures Trading Commission. Despite these important qualifications concerning the precision of the allocation of income before cumulative effects of accounting changes among the functions, the Corporation believes that the categories and the amounts presented provide a reasonable insight into the sources of its income. Subject to the foregoing limitations, estimates and assumptions, a discussion of significant factors affecting the results is presented below.

Business Functions Profitability

(in millions) Year Ended December 31,	1994	1993
Client Finance	$140	$ 76
Client Advisory	87	63
Client Financial Risk Management	259	336
Client Transaction Processing	99	60
Trading and Positioning	71	594
Other (unallocated)	(41)	(59)
Income Before Cumulative Effects	$615	$1,070

Client Finance — Client Finance activities generate net interest revenue and corporate finance fees from the following major products: debt and equity underwriting, commercial paper, lending, loan syndication, leasing, structured finance and private placements. Client Finance income in 1994 rose 84 percent, to $140 million, up from $76 million in 1993, mainly as a result of increased volumes of loan syndications throughout the year and lower credit costs attributable to the continuing improvement in the Corporation's loan portfolio.

Client Finance income in 1993 rose to $76 million from a slight loss in 1992, principally due to a strong market for debt underwritings worldwide, improved profitability of loan syndications and a decline in credit costs.

Client Advisory — Client Advisory activities include asset management, trust advisory, mergers and acquisitions, strategic risk management, insurance and other specialized advisory services. These activities principally give rise to fiduciary and funds management revenue, and fees and commissions. Client Advisory income rose to $87 million in 1994 from $63 million in 1993, an increase of 38 percent. This increase was principally attributable to an overall increase in assets under management at the Corporation's BT Australia subsidiary, improved margins in the insurance business conducted by the Corporation's Chilean subsidiary, Consorcio Nacional de Seguros S.A., and higher merger and acquisition fees. These positive factors in 1994 were somewhat offset by lower levels of performance-based funds management fees.

Client Advisory income in 1993 declined by approximately 45 percent, to $63 million from 1992. While the majority of services earned higher revenue than in 1992, this was offset by increased investments in human resources and technology necessary to support business expansion and enhance the related infrastructure. Performance-based funds management fees declined from their 1992 level.

Client Financial Risk Management — Primary risk management products include derivatives contracts related to interest rates, currencies, equities and commodities (or indices thereof), and credit. These products generate both trading and net interest revenue. Client Financial Risk Management income fell 23 percent in 1994 to $259 million, from a record $336 million in 1993. Uncertain market conditions and an overall slowdown in transaction volumes in the marketplace contributed to this decline in profitability. In addition, $35 million of trading revenue related to leveraged derivative transactions was not recognized due to credit concerns. See page 28 for a further discussion on leveraged derivative transactions.

During 1993, the Corporation benefited from the expanded use of risk management products by clients on a global basis. As a result, Client Financial Risk Management income increased to $336 million in 1993, approximately a 50 percent increase from 1992.

Client Transaction Processing — This business function produces net interest revenue, fiduciary and funds management revenue, and fees and commissions from money transfer, securities custody and clearance, securities lending, and retirement plan recordkeeping and administrative services. In 1994, Client Transaction Processing income rose 65 percent, to $99 million, from $60 million in 1993. Key contributors to this increase were improved money transfer volumes and increased participation in securitized trust arrangements (involving collateralized mortgages and other types of asset-backed financings).

Processing volumes in 1993 were up slightly from 1992. However, profit margins were generally flat to slightly down which, together with higher expenses due to significant investments in technology (designed to improve future margins), led to a modest decline in 1993.

Trading and Positioning — Trading and positioning activities involve U.S. government and agency securities, foreign government securities, various derivative positions (including those assumed on behalf of clients), currencies, equities (including private equities which are generally held for the intermediate- to long-term) and increasingly, commodities, which generate trading, net interest and other revenue. Trading and Positioning income in 1994 dropped 88 percent, to $71 million, from the record $594 million in 1993 as a result of the persistently difficult trading year.

Trading and Positioning income in 1993 tripled as compared to 1992 as a result of favorable market conditions surrounding interest rates, and profitable trading opportunities in emerging markets, especially Latin America.

Financial Reporting Matters

During the fourth quarter of 1994, the Corporation adopted Financial Accounting Standards Board ("FASB") Interpretation No. 41 ("FIN 41"), "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements." FIN 41 allows the netting, under certain circumstances, of certain repurchase and reverse repurchase agreements. It was the Corporation's former policy to record such transactions on a gross basis on the balance sheet. As the result of this adoption, at December 31, 1994, the Corporation's consolidated total assets and total liabilities each decreased by approximately $500 million.

On January 1, 1994, the Corporation adopted FASB Interpretation No. 39 ("FIN 39"), "Offsetting of Amounts Related to Certain Contracts." FIN 39 requires that unrealized gains and losses on swaps, forwards, options and similar contracts be recognized as assets and liabilities, except where such gains and losses arise from contracts covered by qualifying master netting agreements. It was the Corporation's former policy to record such unrealized gains and losses on a net basis on the balance sheet. As the result of this adoption, at December 31, 1994, the Corporation's consolidated total assets and total liabilities each increased by approximately $12 billion.

Effective December 31, 1993, the Corporation adopted Statement of Financial Accounting Standards ("SFAS") 115, "Accounting for Certain Investments in Debt and Equity Securities." This accounting standard mandates that affected securities which are neither trading securities nor held to maturity be designated as available for sale and reported at fair value, with unrealized gains and losses recorded directly to a separate component of stockholders' equity. At December 31, 1993, the Corporation recorded a credit of $145 million ($88 million on an after-tax basis) in the securities valuation allowance component of stockholders' equity, representing the net unrealized gains on securities available for sale. The adoption of SFAS 115 had no effect on net income.

On January 1, 1993, the Corporation adopted SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" and SFAS 112, "Employers' Accounting for Postemployment Benefits." In adopting SFAS 106 and SFAS 112, the Corporation recorded charges to earnings of $100 million and $7 million, respectively, (or $70 million and $5 million, respectively, net of income taxes) as the cumulative effects of these changes in accounting principles. Effective January 1, 1992, the Corporation adopted SFAS 109, "Accounting for Income Taxes," resulting in the recording of a $446 million credit to earnings for the cumulative effect of that accounting change.

As used throughout this Annual Report, the term "international" signifies information based on the domicile of the customer, whereas the term "foreign office" refers to the location in which the transaction is recorded.

Statement of Income Analysis

Net Interest Revenue

Net interest revenue for 1994 was $1.172 billion, down $142 million, or 11 percent, from 1993. Net interest revenue of $1.314 billion in 1993 increased by $167 million, or 15 percent, from the amount earned in 1992.

The $142 million decrease in net interest revenue during 1994 was due to a $141 million, or 23 percent, decrease in trading-related net interest revenue, which totaled $460 million for 1994.

A significant portion of the Firm's trading and risk management activities involve positions in interest rate instruments and related derivatives. The revenue from these activities can

Table 2 Net Interest Revenue Analysis

The table below presents the Corporation's trend of net interest revenue, average balances and rates. For further details on these statistics, see pages 80 through 82.

($ in millions) Year Ended December 31,	1994	1993	1992
Net interest revenue			
Book basis	$ 1,172	$ 1,314	$ 1,147
Tax equivalent adjustment *	83	82	52
Fully taxable basis	$ 1,255	$ 1,396	$ 1,199
Average balances			
Interest-earning assets	$76,300	$76,798	$66,329
Interest-bearing liabilities	73,748	69,676	59,563
Earning assets financed by noninterest-bearing funds	$ 2,552	$ 7,122	$ 6,766
Average rates (fully taxable basis)			
Yield on interest-earning assets	6.70%	5.88%	6.44%
Cost of interest-bearing liabilities	5.23	4.48	5.16
Interest rate spread	1.47	1.40	1.28
Contribution of noninterest-bearing funds	.17	.42	.53
Net interest margin	1.64%	1.82%	1.81%

** The applicable combined federal, state and local incremental tax rates used to determine the amounts of the tax equivalent adjustments (which recognize the income tax savings on tax-exempt assets) were 42 percent for both 1994 and 1993 and 41 percent for 1992.*

periodically shift between trading and net interest, depending on a variety of factors, including risk management strategies. Therefore, the Corporation views trading revenue and trading-related net interest revenue together, which is discussed in the trading revenue section below.

The Firm's non-trading-related net interest revenue, considered to be a more stable component of overall net interest revenue, was virtually unchanged compared to 1993. Total non-trading-related net interest revenue was $712 million for 1994, compared to $713 million in 1993.

The average balances of non-trading-related interest-earning assets and interest-bearing liabilities were virtually unchanged from 1993. The average interest rate spread also remained relatively constant in 1994 versus 1993.

For the 1993 versus 1992 comparison, fully taxable net interest revenue increased by $197 million. This increase was due to a $274 million, or 84 percent, increase in trading-related net interest revenue, which totaled $601 million for 1993. The Firm's trading-related net interest revenue began to climb significantly in the third quarter of 1992, and, on a year-over-year basis, it increased in each quarter of 1993. Aside from trading-related net interest revenue, the Corporation's fully taxable net interest revenue for 1993 declined by $77 million, or 9 percent, from 1992. This decrease was primarily attributable to the combination of lower levels of average interest-earning assets, particularly loans, and a $38 million decline, to $48 million, in interest recognized on past due claims with Argentina and Brazil.

Provision for Credit Losses

The provision for credit losses amounted to $25 million for 1994, compared with $93 million for 1993 and $225 million in 1992. A discussion of the Corporation's summary of credit loss experience, including charge-off procedures and the adequacy of the allowance for credit losses, appears on page 33.

Trading Revenue

The Corporation conducts its global trading of debt and equity securities, money market instruments, derivative products and foreign exchange as an integrated business because of the dynamic interplay between worldwide interest rates, exchange rates and equity and commodity indices. Trading revenue is generated by proprietary activities and client-related activities. Proprietary activities include the trading of U.S. government and agency securities, foreign sovereign securities, foreign exchange and currency options and commodities, as well as the intermediate and longer-term proprietary trading of liquid securities, foreign exchange and derivative products. The Firm also trades restructured loans, bonds, equities and other instruments of Latin American and other emerging markets issuers. Trading activities also encompass the Firm's dealer business of providing risk management products for clients, including derivatives such as swaps, options, forwards and other similar types of contracts.

A significant portion of the Firm's trading and risk management strategies involve positions in interest rate instruments and related derivatives. The revenue from these activities can periodically shift between trading and trading-related net interest revenue, depending on a variety of factors, including risk management strategies.

Trading-related net interest revenue represents interest earned on cash instruments held in the trading positions for either proprietary trading or risk management purposes, less the cost to fund both cash and derivative positions.

For the year 1994, trading revenue was $465 million, down $1.166 billion, or 71 percent, from the record $1.631 billion reported in 1993, which was $735 million higher than 1992. Trading-related net interest revenue decreased to $460 million, down $141 million, or 23 percent, from $601 million in 1993, which was $274 million higher than 1992.

The $1.307 billion decline in combined trading revenue and trading-related net interest revenue in 1994 resulted from sharply lower revenue from the Firm's proprietary trading activities, as market conditions were persistently difficult throughout the year. In addition, demand for the Corporation's risk management products slowed from the record levels recorded in 1993.

The table below quantifies the Firm's trading revenue and trading-related net interest revenue by major category of market risk. These categories are based on management's view of the predominant underlying risk exposure of each of the Firm's trading positions.

(in millions)	Trading Revenue	Trading-Related Net Interest Revenue	Total
Year ended December 31, 1994			
Interest rate risk	$ 278	$495	$ 773
Foreign exchange risk	(54)	—	(54)
Equity and commodity risk	241	(35)	206
Total	$ 465	$460	$ 925
Year ended December 31, 1993			
Interest rate risk	$1,066	$642	$1,708
Foreign exchange risk	191	—	191
Equity and commodity risk	374	(41)	333
Total	$1,631	$601	$2,232
Year ended December 31, 1992	$ 896	$327	$1,223

Interest Rate Risk

As indicated above, a significant portion of the Firm's trading and risk management activities involve positions in interest rate instruments and related derivatives. The sharp, global increase in interest rates that occurred during the first quarter of 1994 adversely affected the full range of the Firm's positions in these

interest-rate-sensitive instruments; those most significantly affected involved European, Japanese and emerging market sovereign debt. As a result, total trading revenue and trading-related net interest revenue related to interest rate risk positions fell over 50 percent to $773 million in 1994 from $1.7 billion in 1993.

Foreign Exchange Risk
The Firm's trading and risk management strategies also involve positions in foreign exchange and currency related derivatives such as swaps, options, forwards and other similar types of contracts. The global increase in interest rates referred to above also had a considerable affect upon foreign currency prices, which adversely impacted positions. Total trading revenue and trading-related net interest revenue related to foreign exchange risk resulted in a loss of $54 million in 1994, compared to a gain of $191 million in 1993.

Equity and Commodity Risk
The Firm's trading and risk management activities also include positions in equity securities and commodities and related derivatives. Although results in 1994 from these positions held up better relative to those involving interest rate and foreign exchange risk, they nonetheless showed a year-to-year decline in total trading revenue and trading-related net interest revenue of approximately 40 percent, down to $206 million from the $333 million in 1993. The decline was principally attributable to lower total trading revenue during 1994 from equity securities positions in issuers from the emerging markets of Asia and Latin America.

The largest portion of the increase in 1993 combined trading revenue and trading-related net interest revenue from that of 1992 related to the Firm's businesses which are primarily engaged in the trading of sovereign bonds and other interest-rate-sensitive securities and particularly in instruments denominated in European currencies and in Yen as well as the issues of several emerging market countries. These positions were acquired in connection with both proprietary and client risk management activities.

Fiduciary and Funds Management Revenue

Fiduciary and funds management revenue was a record $740 million in 1994, up $37 million, or 5 percent, from the $703 million earned in 1993, which was $55 million higher than the $648 million recorded in 1992. The increase in 1994 was primarily due to a higher level of assets under management, particularly in the global private banking activities at the Corporation's BT Australia subsidiary, as well as increased revenue from custodian and global fiduciary services, offset in part by a decline in performance-based funds management fees.

The increase in 1993 compared to 1992 was primarily due to new business in securities lending and retirement services, as well as higher levels of private banking assets under management. These improvements were partially offset by a decline in performance-based funds management fees.

Fees and Commissions

Fees and commissions totaled a record $756 million for 1994, which represented an increase of $46 million, or 6 percent, from 1993. Corporate finance fees increased $24 million, or 6 percent, during 1994 to their highest level in five years. This increase was due to higher revenue from loan syndication fees, offset in part by lower fees from securities underwriting and lease syndication activities.

Fees and commissions totaled $710 million in 1993 which was $122 million higher than the $588 million earned in 1992. Corporate finance fees of $407 million for 1993 increased by $81 million, or 25 percent, over the 1992 amount. The increase was driven by higher revenue from securities underwriting and loan and lease syndication activities, as the extremely favorable market conditions led many of the Firm's clients to restructure their balance sheets. The largest components of the remaining $41 million increase were fees from the structuring of products for employee benefit plans and fees for brokerage services.

Other Noninterest Revenue

Other noninterest revenue totaled $440 million for 1994, an increase of $133 million, or 43 percent, from 1993. This increase was due to several factors including a $59 million increase in insurance premium revenue, a lower level of losses from the revaluation of non-trading foreign currency investments, the impact of an insurance settlement related to the January 1993 fire at the Corporation's headquarters at 280 Park Avenue and unrealized gains related to certain venture capital assets. These results were offset in part by charges related to the funds management business.

Other noninterest revenue totaled $307 million for 1993, an increase of $104 million from 1992. The largest factor in this increase was a nearly ten-fold increase in net revenue from equity investment transactions, including write-offs, to a record $126 million. This category of other noninterest revenue included $32 million of total equity write-offs in 1993 (down from $52 million in 1992), as well as a $16 million gain on the sale of the Corporation's minority interest in A.F.P. Provida, S.A., a Chilean pension fund administrator. Also contributing to the year-to-year increase in other noninterest revenue were a $14 million increase in insurance premium revenue and a 1993 gain on the sale of the Corporation's Bankstat business. Partially offsetting these factors was a higher level of losses from the revaluation of non-trading foreign currency investments and a

1993 writedown of assets previously acquired in satisfaction of indebtedness as well as gains during 1992 from the partial curtailment of an overseas defined benefit plan ($15 million) and the sale of the San Francisco branch of the California subsidiary ($10 million).

Noninterest Expenses

Total noninterest expenses were $2.751 billion for 1994, a decrease of $284 million, or 9 percent, from the $3.035 billion recorded in 1993. Incentive compensation and employee benefits expense decreased $448 million, or 38 percent, primarily due to lower bonus expense reflecting the reduced earnings. Salaries expense increased $87 million, or 13 percent, in 1994. The average number of employees increased by 5 percent from 1993, to 14,005.

All other noninterest expenses totaled $1.253 billion for 1994, up $77 million, or 7 percent, from 1993. Increases in the provision for policyholder benefits, service bureaus, agency personnel fees and minority interest were offset in part by a decrease in other real estate expense, primarily resulting from a gain on the sale of a foreclosed property as well as a lower level of contributions expense.

Total noninterest expenses were $3.035 billion for 1993, an increase of $688 million, or 29 percent, from the $2.347 billion recorded in 1992. Incentive compensation and employee benefits expense increased by $442 million, or 61 percent, driven by a higher bonus expense recorded in connection with the increased earnings, although higher severance expense was also a factor in the increase. Salaries expense was up $57 million, or 9 percent, in 1993. The average number of employees increased by 7 percent from the 1992 figure, to 13,334.

All other noninterest expenses totaled $1.176 billion for 1993, which was $189 million, or 19 percent, higher than in 1992. Increases in other real estate expense, fees for professional services, agency personnel fees, the provision for policyholder benefits and contributions expense accounted for two-thirds of the total 1993 increase.

Income Taxes

Income tax expense for 1994 amounted to $254 million, compared with $480 million for 1993. The effective tax rate for 1994 was 29 percent, while the 1993 effective tax rate was 31 percent. The 1993 figure excluded the income taxes included in the reported cumulative effects of accounting changes for SFAS 106 and SFAS 112.

The effective tax rate for 1992 was 29 percent, which excluded the income taxes included in the reported cumulative effect of accounting changes for SFAS 109.

In connection with the adoption of SFAS 109, a valuation allowance of $227 million was recorded effective January 1, 1992. The valuation allowance, the amount of which was unchanged through December 31, 1994, related to deferred tax assets, the realization of which are dependent on the source and mix of future income.

International Operations

International operations have made a significant contribution to consolidated results, consistent with the emphasis the Corporation has placed on foreign markets. The Corporation's assets and summarized results of operations for 1994, 1993 and 1992 have been segregated between domestic and international operations in Note 21 of Notes to Financial Statements. This analysis, which is based on the domicile of the customer, incorporates numerous subjective assumptions.

International net income totaled $368 million for 1994, compared with $865 million for 1993. International operations contributed 60 percent and 87 percent of the Corporation's net income in 1994 and 1993, respectively.

The decrease in 1994 international net income as compared to 1993 was primarily due to reduced net income in the United Kingdom and Asia. United Kingdom's net income decreased by $366 million in 1994, as trading revenue decreased significantly. Asia net income decreased by $143 million primarily due to lower trading revenue in Hong Kong, Singapore, and Tokyo and an increase in noninterest expenses.

Domestic net income increased by $117 million to $247 million in 1994, primarily due to higher fees and commissions, decreases in the provision for credit losses noninterest expenses, partially offset by lower trading revenue.

International total assets were $57.2 billion at December 31, 1994, compared with $47.8 billion at December 31, 1993, which represented 48 percent and 46 percent of total consolidated assets (before intersegment eliminations), respectively. The $9.4 billion increase was primarily due to an increase in United Kingdom assets of $10.9 billion and an increase in Australia/New Zealand assets of $2.4 billion, offset in part by a $5.6 billion decrease in Europe assets. United Kingdom assets increased primarily due to an increase in trading assets, federal funds sold and securities purchased under resale agreements. Australia/New Zealand assets increased primarily due to an

increase in trading assets. Europe assets decreased primarily due to a decrease in trading assets. Domestic total assets increased $4.2 billion to $60.9 billion primarily due to an increase in federal funds sold and securities purchased under resale agreements, partially offset by a decrease in net loans and lease financing.

International net income totaled $865 million for 1993, compared with $964 million for 1992. International operations contributed 87 percent and 89 percent of the Corporation's net income in 1993 and 1992, respectively. Included in 1992 net income was the $446 million credit for the cumulative effect of adopting SFAS 109, which was primarily attributable to the Western Hemisphere. International income before cumulative effects of accounting changes increased by $347 million in 1993, to $865 million. Significant geographic components of this increase follow.

United Kingdom earnings improved by $388 million in 1993, as trading revenue improved significantly and was partially offset by higher noninterest expenses. Asia income increased by $51 million, primarily due to higher trading revenue in Hong Kong, Singapore, Tokyo and Seoul, offset in part by lower net interest revenue and higher noninterest expenses. Western Hemisphere income declined by $35 million, primarily due to lower interest revenue from nonaccrual Brazilian assets and a higher provision for policyholder claims, partially offset by increases in trading revenue, insurance premium revenue and interest revenue from nonaccrual Argentine assets. Australia/ New Zealand earnings decreased by $24 million, primarily due to higher noninterest expenses and lower trading revenue, partially offset by higher fiduciary and funds management revenue and fees and commissions.

Domestic net income increased by $9 million to $130 million in 1993. Excluding the cumulative effects of adopting SFAS 106 and SFAS 112, domestic earnings increased by $84 million. This increase was primarily due to higher net interest revenue, fees and commissions, and other noninterest revenue, as well as a lower provision for credit losses, partially offset by lower trading revenue and higher noninterest expenses.

International total assets were $47.8 billion at December 31, 1993, compared with $37.0 billion at December 31, 1992, and represented 46 percent and 43 percent of total consolidated assets (before intersegment eliminations), respectively. The $10.8 billion increase was primarily due to increases in United Kingdom and Europe trading assets.

CHANGES IN FINANCIAL CONDITION

Balance Sheet Analysis

Table 3 below highlights the trends in the balance sheet over the past two years. Because annual averages tend to conceal trends and year-end balances can be distorted by one-day fluctuations, fourth quarter averages for each year are provided to give a better indication of trends in the balance sheet.

Table 3 Condensed Balance Sheets — Fourth Quarter Averages

(in millions)	1994	1993	1992
Assets			
Interest-bearing deposits with banks	$ 2,139	$ 2,042	$ 2,777
Federal funds sold	1,497	488	746
Securities purchased under resale agreements	14,380	8,791	14,148
Securities borrowed	6,494	2,343	—
Trading assets	33,106	41,942	26,547
Securities available for sale			
Taxable	5,240	—	—
Exempt from federal income taxes	2,238	—	—
Total securities available for sale	7,478	—	—
Investment securities			
Taxable	—	5,541	5,321
Exempt from federal income taxes	—	1,030	901
Total investment securities	—	6,571	6,222
Loans			
In domestic offices	6,750	8,446	10,997
In foreign offices	5,798	5,765	6,026
Total loans	12,548	14,211	17,023
Total interest-earning assets	77,642	76,388	67,463
Cash and due from banks	1,835	1,971	1,466
Noninterest-earning trading assets	19,778	3,772	1,726
All other assets	8,081	6,528	5,520
Allowance for credit losses	(1,327)	(1,494)	(1,667)
Total	$106,009	$87,165	$74,508
Liabilities			
Interest-bearing deposits			
In domestic offices	$ 5,584	$ 8,511	$ 8,231
In foreign offices	15,611	12,410	11,798
Total interest-bearing deposits	21,195	20,921	20,029
Trading liabilities	8,856	7,430	5,693
Securities sold under repurchase agreements	20,833	21,671	18,800
Other short-term borrowings	18,327	14,504	11,009
Long-term debt	6,310	5,450	4,102
Total interest-bearing liabilities	75,521	69,976	59,633
Noninterest-bearing deposits	3,728	3,932	4,417
Noninterest-bearing trading liabilities	15,539	1,694	1,087
All other liabilities	6,212	6,883	5,180
Total Liabilities	101,000	82,485	70,317
Preferred Stock of Subsidiary	250	250	—
Stockholders' Equity			
Preferred stock	395	250	500
Common stockholders' equity	4,364	4,180	3,691
Total Stockholders' Equity	4,759	4,430	4,191
Total	$106,009	$87,165	$74,508

The condensed average balance sheets are presented on a different basis than the spot balance sheets, in that the various categories of interest-earning assets and interest-bearing liabilities exclude certain noninterest-earning/bearing components included in the spot balance sheet captions. These components, excluding noninterest-earning/bearing trading assets/liabilities, are included in "all other assets" and "all other liabilities" in the condensed average balance sheets.

The Corporation's strategy has de-emphasized traditional lend and hold banking in favor of fee-based origination, distribution and advisory services, as well as dealing and trading in liquid, marked-to-market trading assets. This strategy has resulted in an improvement in the liquidity of the Corporation's balance sheet.

Average total assets amounted to $106.0 billion in the fourth quarter of 1994, an increase of $18.8 billion, or 22 percent, from 1993 which had increased $12.7 billion, or 17 percent, from 1992.

Average interest-earning assets increased by $1.3 billion, or 2 percent, however, the proportion of interest-earning assets to total assets decreased, from 88 percent to 73 percent, due primarily to the adoption of FIN 39, effective January 1, 1994.

Combined securities purchased under resale agreements and securities borrowed represented 20 percent of total assets in 1994, up from 13 percent in 1993, which was down from 19 percent in 1992. The year-to-year fluctuations in these assets resulted primarily from U.S. government and agency positions maintained by BT Securities Corporation to facilitate its trading and financing activities.

Interest-earning trading assets averaged $33.1 billion, or 31 percent of total assets in the fourth quarter of 1994. These assets declined by 21 percent from 1993, after increasing 58 percent from 1992. Trading activities are conducted globally and monitored centrally. Management anticipates continued variability in trading account size and composition as market conditions and views of the economic cycle change and as the Corporation expands the markets and instruments in which it trades.

The average balance of total loans declined for the eighth consecutive year. Loans represented 12 percent, 16 percent and 23 percent of average total assets in 1994, 1993 and 1992, respectively. This declining loan trend reflects the fact that the majority of the medium- and long-term loans that the Corporation originates are sold or participated to other institutions. Conversely, the percentage of liquid assets to total assets rose from 72 percent in 1992 to 78 percent in 1993 and to 82 percent in 1994. Management anticipates a continuation of the trend whereby the Corporation's loan portfolio has decreased in absolute size and has been surpassed by liquid assets, led by trading assets, as a percentage of total assets.

Noninterest-earning trading assets increased $16.0 billion due primarily to the adoption of FIN 39.

Average total liabilities amounted to $101.0 billion in the fourth quarter of 1994, an $18.5 billion, or 22 percent, increase from 1993, which had increased $12.2 billion, or 17 percent, from 1992.

Interest-bearing liabilities as a percentage of total funding sources was 71 percent in 1994, down from 80 percent in both 1993 and 1992. Interest-bearing liabilities increased $5.5 billion from 1993. During 1994, the Corporation's excess of interest-earning assets over interest-bearing liabilities decreased from $6.4 billion to $2.1 billion, or from 8 percent to 3 percent of interest-earning assets. Noninterest-bearing trading liabilities increased $13.8 billion in 1994 due primarily to the adoption of FIN 39.

Combined total stockholders' equity and preferred stock of subsidiary for 1994 increased to $5.0 billion, or 7 percent over 1993, which increased 12 percent over 1992. The 1994 increase was due primarily to the retention of $296 million of earnings, as well as the net issuance of preferred stock, while the 1993 increase was due primarily to the retention of $708 million of earnings (which included a $75 million charge to earnings due to the cumulative effects of accounting changes).

Risk Management

The Corporation has made substantial investments in both information technology and human resources to support its risk management processes. The Global Risk Management Department and the Global Credit Department monitor and develop management policies for the market and credit risk of the Corporation's businesses worldwide. These teams of risk management professionals are independent of the Corporation's business functions and report directly to senior management.

The Corporation's guiding philosophy toward risk management is to make it an integral part of the Corporation's business decisions and culture. The Corporation implements this philosophy by practicing the following four principles: (1) a firm-wide commitment to effective risk management starts at the senior-management level; (2) a strong, centralized and independent control function for risk management operating in conjunction with decentralized business activities best serves the Corporation's desire to be agile and efficient in business activities and prudent in overall risk-taking; (3) diversification is an efficient mechanism for managing risk; and (4) returns earned must be commensurate with the marginal risk associated with each business activity.

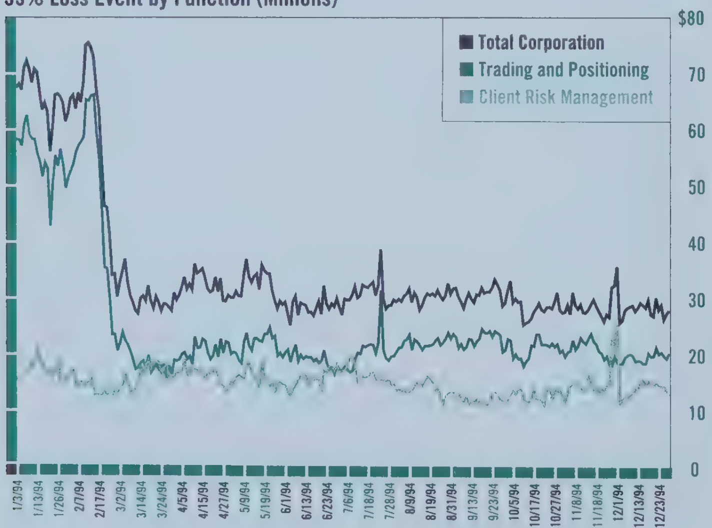
Persistently difficult market conditions tested the Firm's ability to translate these principles into effective risk management during 1994. The market environment during the year may be characterized as a lengthy period of modest and trendless fluctuations in asset prices transpiring between two major capital market events that occurred at either end of the year. The year began with a sharp, global increase in interest rates and ended with a further increase in U.S. short-term interest rates and turmoil in Latin American capital markets that affected asset values throughout emerging markets. These events were unusual in the degree to which interest rates across international markets moved together. This phenomenon of increased correlation among interest rates reduced the risk management benefits derived from diversification across interest-sensitive instruments.

The Corporation responded to this adverse and unsettled market environment through an orderly withdrawal in the first quarter of 1994 from substantial market positions in its Trading and Positioning function. This withdrawal and the resulting risk reduction is clearly shown by Figure 1. Figure 1 reports the Daily Price Volatility for each day's positions, which is defined to be the 99th percentile potential loss over a one-day holding period. This means that a daily loss exceeding the Daily Price Volatility would occur less than 1 percent of the time or about once per one-hundred days if we held the positions constant throughout that period. The Daily Price Volatility is calculated using statistical models that are based on the historical behavior of market prices and yields.

As shown in Figure 1, the Daily Price Volatility for the Corporation declined from an average of approximately $70 million during January to a level of approximately $30 million by the end of February. This decline occurred predominantly in the Trading and Positioning function of the Firm. The positions related to the Trading and Positioning function reflect discretionary exposures undertaken by the Firm using its capital and, therefore, most clearly reflect strategic changes in market positioning.

The risk associated with the Corporation's Client Financial Risk Management activities, which reflect hedging positions maintained to offset risks undertaken on behalf of clients, including derivative products, remained fairly constant throughout the year.

Figure 1
Daily Price Volatility
99% Loss Event by Function (Millions)



The risk reduction that occurred during February 1994 reflected the Corporation's decision to reduce its exposure in its Trading and Positioning accounts due to fluctuations in interest rates. For the Corporation, the average Daily Price Volatility that was due to interest-rate risk fell by 35 percent between the first and second quarters. Also, interest-rate risk was the single largest source of market risk during the year with an average Daily Price Volatility of $29 million. In comparison, the Corporation's average Daily Price Volatility across all market risks was $35 million in 1994.

The methodology underlying these Daily Price Volatility calculations and the risk-adjusted return on capital ("RAROC") calculations described below relies on established asset pricing and statistical models. These figures incorporate the effects of nonlinear payoffs or convexity imparted by the presence of options in the portfolios and are calculated through the use of proprietary simulation techniques. A question that naturally arises is the validity of these risk measurement techniques. The diagrams in Figure 2 provide evidence that the methodology employed provides conservative and reasonable statistical measures of risk. The diagrams show for each activity the absolute value of the daily ratio of profit and loss flows to risk capital. Observations that lie above the diagonal line that bisect the diagram indicate days when the absolute value of the profits and losses exceeded the Daily Price Volatility, which occurs when the realized profit or loss lies outside the confidence interval implied by the Daily Price Volatility. According to the statistical specification underlying the Daily Price Volatility methodology, only approximately 2 percent of the observations should lie above the diagonal, which implies that approximately five of the daily observations should lie above the diagonal in each diagram. One reason that fewer points lie above the diagonals is that Daily Price Volatility measures the potential change in the market value of a given portfolio due solely to price fluctuations irrespective of the accounting treatment of positions. For example, a relatively small number of securities and other positions that are not marked-to-market according to accounting standards but whose economic values are functions of market variables are included in Daily Price Volatility but omitted from the Corporation's daily profit and loss flows. However, the key information provided by these diagrams is that the statistical methodology appears to provide a reasonable picture of the Corporation's exposure to market risk.

Figure 2A
Total Corporation
Daily Price Volatility vs. P&L ($ Millions)

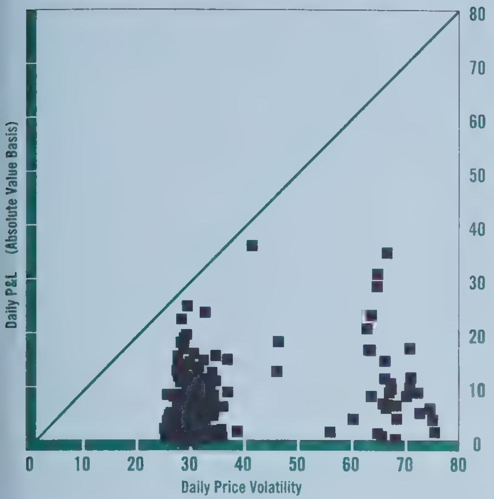


Figure 2B
Trading and Positioning
Daily Price Volatility vs. P&L ($ Millions)

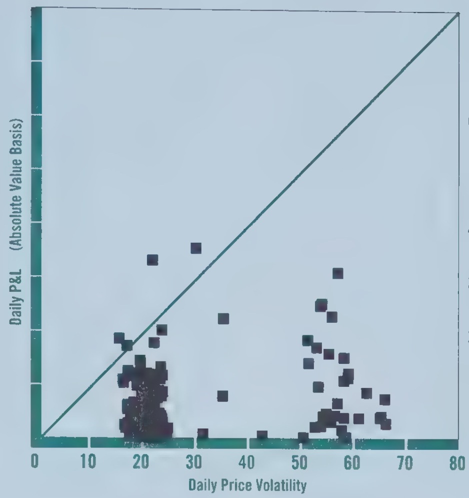
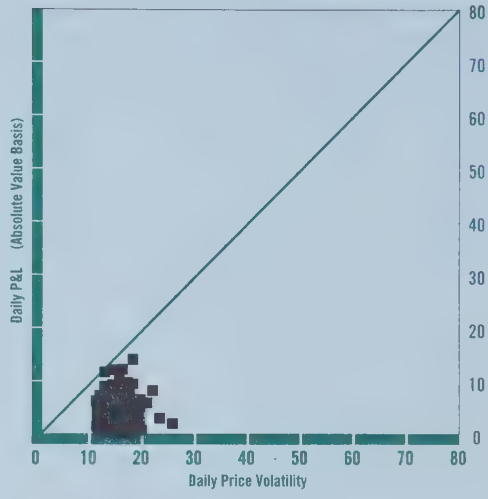


Figure 2C
Client Financial Risk Management
Daily Price Volatility vs. P&L ($ Millions)



The Daily Price Volatility, as a statistical measure of potential loss, provides an objective benchmark of portfolio risk which complements, but does not substitute for, management's judgement of the appropriate level and mix of risk taken by the Corporation. Furthermore, the methodology employed in the calculation of Daily Price Volatility will change due to enhancements in risk-assessment and information-processing technologies and as new risks are undertaken by the Corporation.

RAROC — Performance Measurement and Capital Adequacy
The Corporation pioneered the development of risk-based capital attribution processes. The internal risk capital model, RAROC, is integral to the conceptual framework of management which has as its objective maximizing return on equity, where risk capital is attributed to a business activity according to the level of risk it assumes. Risk capital produced by the RAROC framework is used to support decisions on the allocation of human and financial resources. In addition, the disciplined assessment of risk in RAROC produces a benchmark for assessing capital adequacy both for the Corporation and for its major businesses.

The definition of risk capital produced by the RAROC process is the amount of funds required to cover any after-tax loss over a one year holding period. Specifically, if the Corporation maintained absolutely static portfolio positions for one year from today there would be less than a 1 percent chance that the portfolio would decline by more than the RAROC risk capital amount after adjusting for taxes.

Conceptually, RAROC captures the following general classes of risk: market risk, credit risk and operational risk. Market risk is the potential loss in economic value due to changes in interest rates, currency, equity and commodity prices, and volatilities. Contractual commitments of the Firm whose economic values are functions of these market variables are included in the assessment of market risk irrespective of accounting designation. Credit risk is defined as potential loss in economic value of all extensions of credit, on- and off-balance sheet, by the Corporation. Potential incidents that disrupt normal business processes or otherwise cause losses are termed operational risks. The following are examples of operational risks: losses due to personnel unavailability, malfeasance, or errors; losses due to natural disasters; and losses that result from the failure of an exchange.

Credit Risk Management
The Credit Policy Department, headed by the Chief Credit Officer, is responsible for developing credit policies, as well as for monitoring and managing the overall credit risk. The department evaluates the creditworthiness of each borrower/issuer/counterparty and assigns a rating for each. Credit limits are established at the portfolio level by issuer, borrower, counterparty and by other categories. One credit officer is responsible for reviewing the entire credit risk portfolio of a borrower/issuer/counterparty regardless of the nature of the exposure (e.g., loans, securities, derivatives). Credit officers also monitor credit risk usages by entity versus the limits at the product and business activity level. The Credit Policy Department monitors country exposures and assigns country risk ratings. It also monitors country, industry, name/counterparty, product and regional risk concentrations in order to evaluate the degree of diversification in the portfolio.

RAROC credit capital reflects the exposure of the overall portfolio of the Corporation to default risk and the translation of this risk into potential losses using proprietary statistical models. These statistical models incorporate information on

the duration of the exposure, the potential magnitude of the exposure, and the creditworthiness of the borrowers/ issuers/ counterparties.

The Corporation's senior risk managers regularly review and actively manage the credit risks at the portfolio level to ensure that the risk characteristics and degree of diversification as reflected in RAROC capital calculations conform with the Corporation's policies.

Derivatives

Derivatives are swaps, futures, forwards, options and other similar types of contracts based on interest rates, foreign exchange rates and the prices of equities and commodities (or related indices). Derivatives are generally either privately-negotiated over-the-counter ("OTC") contracts or standard contracts transacted through regulated exchanges. OTC contracts generally consist of swaps, forwards and options. In the normal course of business, with the agreement of the original customer, OTC derivatives may be terminated or assigned to another customer. Exchange-traded derivatives include futures and options. These capital markets products are described further in Note 22 of Notes to Financial Statements. Derivatives may be used for either trading or end-user purposes.

Trading Derivatives

The Corporation holds derivatives in connection with its activities as a dealer acting as principal for particular transactions with clients, as a market maker quoting bid and offer prices to provide liquidity and continuous availability of derivatives for clients, as a risk manager of its own trading positions resulting from these client-driven transactions and, finally, as a position-taker in the expectation of profiting from favorable movements in prices or rates. As a result, the Corporation may build up sizable positions in derivatives. The risks of derivative positions are managed in accordance with the Corporation's risk management policies.

Trading derivatives have been carried on the balance sheet at their current gross fair values since January 1, 1994, in accordance with FIN 39. Prior to this date, it was industry practice to record such contracts at their fair values on a net basis. Contracts with positive fair values are now recorded as assets and contracts with negative fair values are now recorded as liabilities, after application of qualifying master netting agreements. Substantially all of the Corporation's derivative positions at December 31, 1994 were trading-related, with gains and losses included in trading revenue as they occur. These positions may vary in size from period to period, similar to the positions in cash instruments also carried in the Corporation's trading accounts. Average trading assets and trading liabilities related to derivatives during 1994 were $15.443 billion and $13.187 billion, respectively. The notional amounts of derivatives are not recorded on the balance sheet.

New disclosures of the gross fair values of trading derivatives that are presented in Note 22 of Notes to Financial Statements in accordance with SFAS 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments" do not represent the amount of market or credit risk of derivatives in the trading portfolio. Rather, they indicate the extent of involvement in the OTC markets and exchange-traded options markets for interest rate, foreign exchange rate, equity and commodity derivatives during the year. Any measurement of risk is meaningful only where all related factors are identified, such as risk-offsetting transactions, master netting agreements, and the value of any related collateral. The Corporation considers such factors in its RAROC system and in other internal risk analyses.

Following the sharp increase in U.S. interest rates in the first quarter of 1994, the global cash markets for bonds and equities experienced turbulence as did the global derivatives markets. As a direct result of this market volatility, certain customers suffered losses from leveraged derivative transactions they had entered into with certain subsidiaries of the Corporation. In the fourth quarter, the Corporation and certain subsidiaries entered into agreements with its primary state and federal banking regulators concerning the conduct of their leveraged derivative transactions business. Also in the fourth quarter, a subsidiary of the Corporation settled (without admitting or denying liability) actions brought against it by two other U.S. regulators in connection with the sale of derivatives to a single client. These events have accelerated ongoing industry and regulatory examination of derivatives sales practices, and have increased market awareness of derivative transactions in general. These developments may serve to strengthen the derivatives industry in the long run. In the short term, however, the events of the fourth quarter created adverse publicity for the Corporation. The Corporation cannot predict the future effect on the derivatives business in general, or the Corporation's derivatives business in particular, of these events or of the current legislative, regulatory, and media attention being given to derivatives.

End-User Derivatives

The Corporation utilizes end-user derivatives to manage exposures to interest rate, foreign currency and equity market risks associated with certain liabilities and assets such as interest-bearing deposits, short-term borrowings and long-term debt as well as securities available for sale, investments in non-marketable equity securities and net investments in foreign subsidiaries. For example, the Corporation's Treasury

Department, which manages the majority of the Corporation's end-user derivatives, utilizes certain instruments (principally interest rate swaps) to transform fixed-rate-paying liabilities into variable-rate-paying liabilities. See Note 24 and Note 22 of Notes to Financial Statements for the fair value of end-user derivatives and related financial instruments and additional end-user information. End-user derivatives represented approximately 2 percent of aggregate notional amounts outstanding at December 31, 1994.

Market Risk

The market risk of derivatives arises principally from the potential for changes in interest rates, foreign exchange rates, and equity and commodity prices, and is generally similar to the market risk of the cash instruments underlying the contracts. The market risk to the Corporation is not measured by the price sensitivity of the individual contracts, but by the net price sensitivity of the relevant portfolio, including cash instruments. The Corporation generally manages its exposures by taking risk-offsetting positions. Therefore, the Corporation believes it is not meaningful to view the market risk of derivatives in isolation. Market exposures arising from derivatives are monitored in the Corporation's RAROC system and are included in the Daily Price Volatility amounts discussed in the preceding Risk Management section.

Liquidity Risk

In times of stress, sharp price movements or volatility shocks may reduce liquidity in certain derivatives positions, as well as in cash instruments. The liquidity risk of derivatives is based on the liquidity of the underlying cash instrument, which affects the ability of the Corporation to alter the risk profile of its positions rapidly and at a reasonable cost. The Corporation's mark-to-market practices for derivatives include adjustments in consideration of liquidity risks, when appropriate. These practices are consistent with those applied to the Corporation's trading positions in cash instruments.

Derivatives-Related Credit Risk

Derivative transactions create dynamic credit exposure which changes as markets move. The credit risk of derivatives arises from the potential for a customer to default on its contractual obligations. Accordingly, credit risk related to derivatives depends on the following: the current fair value of the contracts with the customer; the potential credit exposure over time; the extent to which legally enforceable netting arrangements allow the fair value of offsetting contracts with that customer to be netted against each other; the extent to which collateral held against the contracts reduces credit risk exposure; and the likelihood of default by the customer.

The Corporation monitors and manages the credit risk associated with derivatives by applying a uniform credit process for all credit exposures. The credit risk of derivatives is included in the Corporation's centralized credit management and RAROC systems. In order to reduce derivatives-related credit risk, the Corporation enters into master netting agreements that provide for offsetting of all contracts under each such agreement and obtains collateral where appropriate. Such master netting agreements contemplate payment netting as well as the net settlement of all covered contracts through a single payment in a single currency with the same counterparty in the event that a default (including insolvency) under the agreement occurs. The Corporation monitors credit risk exposure on a gross and a net basis and on a collateralized and an uncollateralized basis, as appropriate.

Table 4 summarizes the Corporation's derivatives-related credit risk. It displays, by internal rating, the Corporation's current credit risk to customers. The majority of the Corporation's derivative transactions are with foreign and U.S. commercial banks, as well as corporations, governments and their agencies, securities firms and other financial institutions. As shown in Table 4, 93% of the derivatives-related credit risk at December 31, 1994 was to investment-grade customers. Current credit risk is calculated based on the current replacement cost of outstanding positions with customers in OTC derivative financial instruments. The gross replacement cost of a derivative portfolio with a customer is the positive mark-to-market value of all transactions with that customer without the effects of netting or collateral arrangements. The replacement cost, after netting and collateral, of $10.937 billion more accurately portrays the credit risk associated with the Corporation's derivatives activities with external customers at December 31, 1994 than does the gross replacement cost.

Table 4 Derivatives-Related Credit Risk

($ in millions) December 31, 1994	Replacement Cost (Gross)	Replacement Cost (After Netting Agreements)	Collateral Held and Applied	Replacement Cost After Netting and Collateral	Percentage
Internal Rating for Customer					
1 to 4	$24,866	$11,685	$1,541	$10,144	93%
5	1,500	951	290	661	6%
6 to 8	323	280	148	132	1%
Total	$26,689 (1)	$12,916	$1,979	$10,937	100%

(1) End-user derivatives and exchange-traded options are not included.

The weighted average remaining maturity of the OTC trading derivatives portfolio was approximately $2^1/_2$ years for customers rated 1 to 4, $2^1/_3$ years for customers rated 5 and $1^1/_2$ years for customers rated 6 to 8.

Internal ratings are based upon the Corporation's assessment of the customer's creditworthiness. Ratings of 1to 4 generally equate to investment-grade ratings (BBB/Baa and higher) from rating agencies in the U.S. markets. A rating of 5 usually approximates long-term debt ratings of BB/Ba. Ratings of 6 to 8 are generally equivalent to B/B and below. Customers in the 6 to 8 category may be internally designated for special monitoring by the Credit Audit Department. Factors such as guarantors and collateral held, as well as the impact of country risk on private foreign companies, may differentiate the Corporation's ratings from those of the rating agencies.

The Corporation applies netting based upon the criteria prescribed by FIN 39, which provides that offsetting is appropriate where the available evidence indicates that there are reasonable assurances that the right of setoff contained in a master netting agreement governing derivatives contracts would be upheld after default, including in the event of the customer's bankruptcy.

Collateral also reduces credit risk. The Corporation generally accepts collateral in the form of cash, U.S. Treasuries, and other approved securities (generally, only liquid, marketable, publicly-traded securities are acceptable).

The Corporation's allowance for credit losses is available for credit losses related to derivatives contracts. Derivatives are considered by the Credit Audit Department when it reviews both general and specific credit risks in the Corporation's portfolio. Charge-offs related to derivative contracts totaled $77 million during 1994.

The international bank regulatory standards for risk-based capital consider the credit risk arising from derivatives in the assessment of capital adequacy. These standards were issued under the Basle Capital Accord of July 1988 and adopted in 1989 by the U.S. bank regulators, including the Federal Reserve Board. These standards use a formula-based assessment of customer credit risk which, as amended at year-end 1994, reflect to some extent the credit-risk-reducing impact of legally enforceable master netting agreements. However, these standards reflect the credit risk of derivatives on a conservative basis, as the calculation of the "add-on" component for potential future credit risk exposure caused by price volatility does not reflect the benefit for the reduction of future credit risk obtained from master netting agreements. At December 31, 1994, the risk-weighted amounts that were calculated based on these international standards for derivative financial instruments aggregated to $8.1 billion.

Presented below is a maturity profile of the Corporation's major trading derivative products. This profile is based upon notional amounts and indicates the extent of the Corporation's involvement in derivative transactions of certain maturities. The notional amounts presented in Note 22 of Notes to Financial Statements, upon which these percentages are based, do not necessarily represent cash flows and do not represent a quantification of the market risk or credit risk of these positions.

Maturity Profile of Trading Derivatives (1)

Remaining Maturity at December 31, 1994	Interest Rate Swaps	Cross Currency Swaps	Foreign Exchange Forwards (2)
Within 12 months	27%	28%	97%
After 1 but within 3 years	39%	38%	3%
After 3 but within 5 years	20%	18%	—%
After 5 years	14%	16%	—%
Total	100%	100%	100%

(1) Based on contractual notional amounts and includes both purchase and sale contracts and contracts for which the fair values are recorded as trading assets and as trading liabilities. The leveraging effects of leveraged derivative transactions are not reflected above.

(2) Of the total notional amounts of foreign exchange forward contracts, 58 percent mature within 3 months.

Leveraged Derivative Transactions

A leveraged derivative transaction is a specific type of derivative financial instrument containing a formula or multiplier which, for any given change in market prices, could cause the change in the transaction's fair value to be significantly different from the change in fair value that would occur for a similar transaction without the formula or multiplier. Cash instruments

(including structured notes) with embedded forward or option features and all former leveraged derivative transactions that are now included in the loan portfolio are excluded from the foregoing definition. The Corporation's leveraged derivative transactions are carried at fair value in the trading portfolio on the consolidated balance sheet and changes in fair value are reported in trading revenue as they occur. The Corporation's leveraged derivative transactions are affected by the same general market risks as the trading portfolio as a whole and are subject to the risk management policies outlined in the preceding section.

During 1994, $520 million of leveraged derivative transactions were reclassified to the loan portfolio at amounts equal to or less than the contractual amounts due. These transactions are not included in Table 4. Prior to the reclassifications, trading revenue of $35 million related to these transactions was not recognized due to credit concerns. In the fourth quarter of 1994, $72 million of these leveraged derivative loans were charged-off to the allowance for credit losses. At December 31, 1994 the balance included in loans after charge-offs and cash collections was $433 million of which $351 million was classified as cash basis loans. Approximately one half of these cash basis loans relate to transactions with Procter & Gamble.

With these transfers and charge-offs, the Corporation has taken action on those leveraged derivative transactions that likely will not perform according to the contracts and has charged-off the balances deemed to be uncollectible.

For further information regarding regulatory and legal matters, refer to "Supervision and Regulation" and "Legal Proceedings" on pages 85 and 87, respectively.

Further information applicable to derivatives in general may be found in the following sections:

Relevant Information	Page	Title
Revenue by risk category	18	Trading Revenue
Daily Price Volatility, RAROC and credit management	23	Risk Management
Risk-weighted amounts	31	Capital Resources
Credit losses	33	Summary of Credit Loss Experience
Nonperforming amounts	36	Nonperforming Assets
Accounting	48	Significant Accounting Policies
Balance sheet amounts	50	Trading Assets and Trading Liabilities
Product descriptions, fair values and notional amounts	66	Derivatives and Financial Instruments With Off-Balance Sheet Risk
Significant counterparties	70	Concentrations of Credit Risk
End-user derivatives	70	Fair Value of Financial Instruments

Liquidity and Capital Resources

The Corporation believes that it has sufficient resources to meet the present and foreseeable needs of its business operations for liquidity and capital resources, which are discussed separately below.

Liquidity

Liquidity is the ability to have funds available at all times to meet the commitments of the Corporation. The Corporation has a formal process for managing liquidity on a global basis for the Firm as a whole as well as for its significant legal entities. Management's guiding policy is to maintain conservative levels of liquidity to ensure that the Firm has the ability to meet its obligations under all conceivable circumstances. Management maintains a dual focus to ensure a conservative liquidity position by promoting asset liquidity and actively managing liability/capital levels, maturities and diversification. The fundamental objective in this regard is to ensure that, even in the event of a complete loss of access to the liability markets, the Corporation will be able to fund those assets that cannot be liquidated in a timely manner.

Over the past several years the Corporation has continued to improve asset liquidity and to strengthen its global funding presence. The Corporation has placed a special emphasis on developing and strengthening funding management, policies and practices. This has been achieved, in part, by centralizing all of the Firm's funding into one organizational unit while retaining a funding presence in local markets globally. Consolidation of the funding function provides for central coordination and control of pricing and global information and strategy, while the proximity to local markets allows for greater customer diversity and the flexibility to respond quickly to market opportunities.

In addition, the Corporation assesses its liquidity profile, such as asset marketability, asset-to-liability repayment/maturity characteristics and funding diversification, under various stress scenarios. The Corporation believes it has improved its ability to withstand severe liquidity shocks, both systemic and institution specific.

Most of the Corporation's assets are highly liquid and of high credit quality. The Corporation maintains excess liquidity through its base of liquid assets. Liquid assets consist of cash and due from banks, interest-bearing deposits with banks, federal funds sold, securities purchased under resale agreements, securities borrowed, trading assets, and securities available for sale. Securities purchased under resale agreements and securities borrowed are virtually all short-term in nature and are collateralized with U.S. government or other marketable securities, or cash equivalents. Trading assets are marked-to-market daily (which approximates the value at which each of these assets can be liquidated.) These assets include U.S. government and agency securities, state and municipal securities, foreign government obligations, and money market instruments, which together constitute the majority of total trading assets. At December 31, 1994, the Corporation's liquid assets amounted to $79.0 billion, or 80 percent of gross total assets, up from 77 percent at December 31, 1993.

In recent years, the Corporation has improved its liquidity by enhancing asset liquidity and increasing asset turnover. In particular, significant steps have been made in improving the liquidity of the Firm's loan portfolio through overall shrinkage of loan assets, improved quality and salability of remaining loans, strengthening of loan distribution and trading capabilities, and development of new non-traditional investors for loan risk.

The Corporation continues to focus on extending and diversifying its funding base by geography, investor segment, legal vehicle issuer, and type of instrument. This is done by strengthening secured funding capabilities and issuing a substantial amount of long-term debt and preferred stock in various markets. The Corporation places particular emphasis on a large and diverse base of stable customer deposits, which are generated incidentally to other transactions or services provided in its Global Assets business. Also, the Corporation has increased the proportion of active unsecured funding which is provided by capital and long-term debt. The Corporation's capital and long-term debt, taken together, have increased by 41 percent since the end of 1992.

One of the Corporation's principal sources of day-to-day funding is provided by securities sold under repurchase agreements, generally involving U.S. government and agency securities. Short-term financing is also available to the Corporation under various commercial paper programs. The Corporation maintains its own funding team and sales force which place directly with investors the majority of its purchased funds. This enables the Corporation to develop and maintain ongoing relationships with a diverse group of investors. The Corporation had available $500 million of unused committed bank lines at December 31, 1994, which could be used as back-up facilities for the Parent Company's commercial paper program or for general purposes. The remainder of the Corporation's short-term borrowings and its deposits are provided by a broadly diversified investor/depositor base in various markets throughout the world.

The Corporation's consolidated long-term debt at December 31, 1994 totaled $6.5 billion, substantially all of which was unsecured, and consisted of $3.5 billion in senior borrowings and $3.0 billion of subordinated debt, issued principally by the Parent Company and Bankers Trust Company ("BTCo."), the Corporation's principal banking subsidiary. These borrowings mature between 1995 and 2033, as detailed in Note 9 of Notes to Financial Statements.

The following information should be read in conjunction with the consolidated statement of cash flows, which appears on page 47.

Cash and due from banks increased $235 million for the year ended December 31, 1994, as the net cash provided by operating activities exceeded the net cash used in investing and financing activities. The $12.2 billion of net cash provided by operating activities primarily resulted from a $12.2 billion net change in trading assets and liabilities. Within investing activities, cash outflows from purchases of securities available for sale ($5.8 billion), increases in securities borrowed ($3.3 billion), federal funds sold ($2.2 billion) and interest-bearing deposits with banks ($1.8 billion), were partially offset by cash inflows from sales, maturities and other redemptions of securities available for sale ($5.1 billion) and a decrease in loans ($3.2 billion). Within financing activities, cash outflows from a net change in securities sold under repurchase agreements ($8.3 billion) and repayments of long-term debt ($1.6 billion), were offset in part by issuances of long-term debt ($2.4 billion) and an increase in deposits ($1.4 billion).

For the year ended December 31, 1993, cash and due from banks increased $366 million, as the net cash provided by financing activities exceeded the net cash used in operating and investing activities. The $13.0 billion of net cash provided by financing activities resulted from net increases of $7.6 billion in other short-term borrowings and $6.4 billion in securities sold under repurchase agreements, partially offset by a $2.1 billion decrease in deposits. The $11.9 billion of net cash used in operating activities primarily resulted from a $14.6 billion increase in net trading assets, offset in part by $1.5 billion of earnings adjusted for noncash charges and credits. Within investing activities, cash outflows from purchases of investment securities ($8.1 billion) and from a net change in securities purchased

under resale agreements ($2.9 billion), were offset in part by cash inflows from sales, maturities and other redemptions of investment securities ($7.6 billion) and a decrease in interest-bearing deposits with banks ($1.4 billion).

Capital Resources

The Corporation pursues capital management with the objective of enhancing its ability to execute its global strategic business plans while retaining financial flexibility. Management believes that a strong capital base is critical to achieving these objectives.

Combined total stockholders' equity and preferred stock of subsidiary totaled $4.954 billion on December 31, 1994, up $170 million, or 4 percent, from year end 1993, which was up $663 million, or 16 percent, from year end 1992. The increase in 1994 was due primarily to net income and the net issuance of preferred stock, partially offset by $319 million of dividends declared. The increase in 1993 was primarily attributable to net income, partially offset by $287 million of dividends declared.

The Corporation's primary measure of capital strength is the RAROC system which quantifies and assigns capital to business activities based upon their credit, interest rate, foreign currency, equity, commodity, liquidity and operating risks. In addition, changes in the Corporation's global balance sheet are monitored centrally on a regular basis. In addition, the Corporation actively monitors compliance with bank regulatory capital requirements, focusing primarily on the risk-based capital guidelines. The Corporation manages its capital base and on- and off-balance sheet items to ensure that it remains strongly capitalized.

The Federal Reserve Board's risk-based capital guidelines addressing the capital adequacy of bank holding companies and banks (collectively, "banking organizations") include a definition of capital and a framework for calculating risk-weighted assets by assigning assets and off-balance sheet items to broad risk categories, as well as minimum ratios to be maintained by banking organizations. A banking organization's risk-based capital ratios are calculated by dividing its qualifying capital by its risk-weighted assets.

Under the risk-based capital guidelines, there are two categories of capital: core capital ("Tier 1") and supplemental capital ("Tier 2"), collectively referred to as Total Capital. Tier 1 Capital includes common stockholders' equity, qualifying perpetual preferred stock and minority interest in equity accounts of consolidated subsidiaries. Tier 2 capital includes perpetual preferred stock (to the extent ineligible for Tier 1), hybrid capital instruments (i.e., perpetual debt and mandatory convertible securities) and limited amounts of subordinated debt, intermediate-term preferred stock and a portion of the allowance for credit losses.

The Federal Reserve Board's leverage constraint guidelines establish a minimum ratio of Tier 1 Capital to quarterly average total assets ("Leverage Ratio").

In accordance with Federal Reserve Board guidelines, the stockholder's equity ($426 million at December 31, 1994 and $453 million at December 31, 1993) and risk assets of BT Securities Corporation are excluded from the calculation of the regulatory capital ratios. In computing these ratios, 50 percent of the securities subsidiary's stockholder's equity is deducted from the Corporation's Tier 1 Capital, and 50 percent is deducted from Tier 2 Capital. Similar treatment is accorded the stockholder's equity and risk assets of certain foreign insurance subsidiaries of the Corporation.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") established five capital tiers for banks. Pursuant to that statute, the federal bank regulatory agencies have defined the five capital tiers for banks. Under these regulations, a bank is defined to be well capitalized, the highest tier, if it maintains a Tier 1 Capital ratio of at least 6 percent, a Total Capital ratio of at least 10 percent and a Leverage Ratio of at least 5 percent.

Based on their respective regulatory capital ratios at December 31, 1994, both BTCo. and Bankers Trust (Delaware) are well capitalized, based on the definitions in the regulations issued by the Federal Reserve Board and the other federal bank regulatory agencies setting forth the general capital requirements mandated by FDICIA.

All three regulatory capital ratios, at both December 31, 1994 and 1993, excluded any benefit from the adoption of SFAS 115.

Table 5 indicates the regulatory capital ratios of the Corporation and BTCo. at December 31, 1994 and 1993 and the minimum regulatory guidelines.

The following were the essential components of the Corporation's risk-based capital ratios at the end of the two most recent years:

(in millions) December 31,	1994	1993
Tier 1 Capital	$ 4,372	$ 4,072
Tier 2 Capital	2,760	2,859
Total Capital	$ 7,132	$ 6,931
Total risk-weighted assets	$48,285	$47,916

Table 5 Regulatory Capital Ratios

	December 31, 1994	December 31, 1993	FRB Minimum Regulatory Guidelines
Corporation			
Risk-Based Ratios			
Tier 1 Capital	9.05%	8.50%	4.0%
Total Capital	14.77%	14.46%	8.0%
Leverage Ratio	5.26%	6.28%	3.0%
BTCo.			
Risk-Based Ratios			
Tier 1 Capital	9.92%	9.38%	4.0%
Total Capital	12.90%	12.96%	8.0%
Leverage Ratio	5.91%	6.01%	3.0%

Table 6 Risk-Weighted Assets

(in billions) December 31,	1994		1993	
	Balance sheet/ notional amount	Risk-weighted amounts	Balance sheet/ notional amount	Risk-weighted amounts
Assets				
Cash and due from banks and interest-bearing deposits with banks	$ 5.4	$ .9	$ 3.4	$ .6
Federal funds sold and securities purchased under resale agreements	12.5	3.0	9.9	2.2
Securities borrowed	6.2	.2	2.9	—
Trading assets	47.5	11.2	48.3	10.3
Securities available for sale	7.5	4.4	7.1	2.7
Loans	12.5	11.9	15.2	12.7
Allowance for credit losses	(1.3)	—	(1.3)	—
All other assets	6.7	4.4	6.6	5.0
Total assets	97.0	36.0	92.1	33.5
Less: applicable assets of BT Securities Corporation [1]	15.7	1.8	24.3	1.2
Assets	$ 81.3	$34.2	$ 67.8	$32.3
Off-Balance Sheet Exposures				
Derivatives	$1,981.7	$ 8.1	$1,907.2	$ 8.8
Credit-related arrangements	13.2	5.6	15.9	7.2
Securities lending indemnifications	21.0	.3	16.6	.4
When-issued securities and other	10.0	.5	7.5	—
Total off-balance sheet exposures	2,025.9	14.5	1,947.2	16.4
Less: applicable off-balance sheet exposures of BT Securities Corporation [1]	(87.2)	(.2)	24.9	.1
Off-Balance Sheet Exposures	$2,113.1	14.7	$1,922.3	16.3
Less: allowance for credit losses limitation adjustment		.6		.7
Total Risk-Weighted Assets		$48.3		$47.9

[1] *As well as certain foreign insurance subsidiaries*

The Tier 1 Capital and Total Capital ratios increased by 55 basis points and 31 basis points, respectively, as the increase in capital more than offset the increase in total risk-weighted assets. The Leverage Ratio decreased by 102 basis points as a result of a 28 percent increase in quarterly average total assets, primarily due to the adoption of FIN 39. The $300 million increase in Tier 1 Capital was primarily attributable to the retention of earnings, the issuance of Series Q and Series R Preferred Stock and the inclusion of net deferred tax assets which are permissible for regulatory capital, offset in part by the redemption of Series D Preferred Stock and the Corporation's previously announced stock repurchase plan. The Corporation's total risk-weighted assets at December 31, 1994 were $369 million higher than at year-end 1993.

Summary of Credit Loss Experience

Charge-Off Procedures and Adequacy of the Allowance for Credit Losses

As part of the Corporation's overall management and control process, the Credit Audit Department is charged with the responsibility for performing an ongoing independent examination of the portfolio. Counterparty risk exposure is analyzed across all product lines including loans, credit-related commitments, derivatives and other financial instruments. All significant items in the portfolio are reviewed annually; those under special supervision, such as cash basis loans and renegotiated loans, are reviewed quarterly. In addition, all levels of management are required to bring to the attention of the Credit Audit Department any credit risk where an additional review of the counterparty's financial position is believed to be warranted. The Credit Audit Department reports at least quarterly to the Audit Committee of the Board of Directors which, in turn, reports to the full Board of Directors, with recommendations for charge-offs. The Board has the final decision-making responsibility in authorizing charge-offs.

In addition to the above procedures, federal and State of New York bank examiners perform examinations of the Corporation's credit risks. The reports on these examinations are reviewed by the Credit Audit Department with the Audit Committee.

The provision for credit losses is dependent upon management's evaluation as to the amount needed to maintain the allowance for credit losses at a level considered appropriate in relation to the risk of losses inherent in the portfolio. Various factors are collectively weighed by management in determining the adequacy of the allowance. The Credit Audit Department and bank regulatory authorities assess and issue reports on the quality of the portfolio and on the adequacy of the allowance. As part of their annual audit, the Corporation's independent auditors assess the adequacy of the allowance and the provision for credit losses. These procedures include discussions with management, a review of selected credit files and an evaluation of the periodic reports issued by the Credit Audit Department and regulatory examiners.

In the opinion of management, the allowance, when taken as a whole, is adequate to absorb reasonably estimated credit losses inherent in the Corporation's portfolio.

Table 7 Analysis of the Allowance for Credit Losses

The following table analyzes the changes in the allowance for credit losses.

($ in millions) Year Ended December 31,	1994	1993	1992	1991	1990
Allowance for credit losses, beginning of year	$1,324	$1,620	$1,806	$2,169	$2,732
Charge-offs					
Domestic (nonrefinancing country)					
Commercial and industrial	55	64	164	89	110
Financial institutions	11	4	—	2	—
Real estate					
Construction	1	6	3	1	6
Mortgage	23	51	35	22	1
Other	—	1	—	1	4
International					
Nonrefinancing country	77	302	98	152	118
Refinancing country	1	32	43	220	250
Total charge-offs	168	460	343	487	489
Recoveries					
Domestic (nonrefinancing country)					
Commercial and industrial	24	19	7	24	28
Financial institutions	—	—	—	—	1
Real estate					
Construction	1	—	—	—	—
Mortgage	—	1	1	—	—
Other	—	2	2	—	1
International					
Nonrefinancing country	8	7	16	5	15
Refinancing country	38	42	23	20	12
Total recoveries	71	71	49	49	57
Total net charge-offs (1)	97	389	294	438	432
Losses on sales and swaps of refinancing country loans	—	—	117	163	325
Total net charges to the allowance	97	389	411	601	757
Provision for credit losses	25	93	225	238	194
Allowance for credit losses, end of year	$1,252	$1,324	$1,620	$1,806	$2,169
Percentage of total net charges to average loans for the year	.78%	2.54%	2.45%	3.15%	3.57%
(1) Components:					
Secured by real estate	$ 24	$ 116	$ 71	$ 61	$ 17
Real estate related	23	3	27	40	11
Highly leveraged	(5)	15	117	63	126
Other	92	265	59	74	40
Refinancing country	(37)	(10)	20	200	238
Total	$ 97	$ 389	$ 294	$ 438	$ 432

Provision and Allowance for Credit Losses

The provision for credit losses amounted to $25 million for 1994, compared with $93 million for 1993 and $225 million in 1992. In 1991, the provision for credit losses totaled $238 million, an increase of $44 million from 1990.

Total net charge-offs for 1994 were $97 million, compared with $389 million in the prior year and $294 million during 1992. Nonrefinancing country net charge-offs for 1994 were $134 million and included $72 million related to certain leveraged derivative contracts that were reclassified as receivables to the loan portfolio and subsequently charged-off. Nonrefinancing country net charge-offs also included $47 million of real estate loans and $5 million of net recoveries from highly leveraged borrowers. For 1993, nonrefinancing country net charge-offs were $399 million and included charge-offs of $221 million which resulted from the sale of Mexican government Par and Discount Bonds and industrial development bonds, as well as the loss on revaluation to market value of the remainder of these bonds as a result of their designation as securities available for sale in connection with the adoption of SFAS 115 at December 31, 1993. Net charge-offs of $119 million of real estate loans and $15 million of loans to highly leveraged borrowers were also recorded during 1993. The Corporation recorded $37 million and $10 million of refinancing country net recoveries in 1994 and 1993, respectively.

The allowance for credit losses decreased to $1.252 billion at December 31, 1994, from $1.324 billion at year-end 1993 and $1.620 billion at December 31, 1992. The allowance was equal to 126 percent, 136 percent and 118 percent of total cash basis loans at December 31, 1994, 1993 and 1992, respectively.

Pursuant to a regulatory requirement, the table below provides the components of the allowance for credit losses by category. This breakdown of the allowance at each year end reflects management's best estimate of possible credit losses and may not necessarily be indicative of actual future charge-offs. The allowance for credit losses is available for credit losses in the entire portfolio which is comprised of loans, credit-related commitments, derivatives and other financial instruments. Therefore, the Corporation believes that the allowance must be viewed in its entirety.

(in millions) December 31,	1994	1993	1992	1991	1990
Domestic					
Commercial and industrial	$ 133	$ 115	$ 162	$ 147	$ 148
Financial institutions	20	8	19	32	32
Real estate					
Construction	5	15	10	10	3
Mortgage	54	65	50	60	28
Other	2	1	4	12	15
Total domestic	214	204	245	261	226
International	266	190	403	599	1,112
Total allocated	480	394	648	860	1,338
Unallocated portion*					
Domestic	402	599	368	347	195
International	370	331	604	599	636
Total allowance for credit losses	$1,252	$1,324	$1,620	$1,806	$2,169

* *This amount and any unabsorbed portion of the allocated allowance is also available for credit losses in the entire portfolio.*

For purposes of providing information required by regulatory authorities and subject to the above limitations, the following table presents an analysis of the changes in the international component of the allowance for credit losses:

(in millions) Year Ended December 31,	1994	1993	1992	1991	1990
Balance, beginning of year	$521	$1,007	$1,198	$1,748	$2,495
Net charge-offs					
Charge-offs	78	334	141	372	368
Recoveries	46	49	39	25	27
Total net charge-offs	32	285	102	347	341
Losses on sales and swaps of refinancing country loans	–	–	117	163	325
Total net charges to the allowance	32	285	219	510	666
Provision for credit losses	11	40	61	148	112
Reallocation (to) from domestic allowance	136	(241)	(33)	(188)	(193)
Balance, end of year	$636	$ 521	$1,007	$1,198	$1,748

The $136 million reallocation during 1994 from the domestic to the international component of the allowance for credit losses, as well as the 1993 reallocation of $241 million from the international to the domestic component of the allowance for credit losses, was based on the continuing evaluation of the Corporation's overall credit portfolio. During 1993, the reduction in the international allowance was primarily attributable to the sale of Mexican government Par and Discount Bonds and the designation of the remainder of these bonds, as well as certain Brazilian government bonds, as securities available for sale.

Nonperforming Assets

Table 8 shows the Corporation's trend of cash basis loans, renegotiated loans, other real estate and other nonperforming assets.

Table 8 Nonperforming Assets

($ in millions) December 31,	1994	1993	1992	1991	1990
Cash basis loans (nonrefinancing country)					
Domestic					
Commercial and industrial	$316	$285	$ 481	$ 588	$ 550
Secured by real estate	277	306	349	403	314
Financial institutions	25	30	2	3	4
Lease financing	—	—	1	3	2
Total domestic	618	621	833	997	870
International					
Commercial and industrial	247	84	167	288	261
Secured by real estate	79	149	148	172	87
Financial institutions	48	—	—	5	—
Other	2	2	8	9	24
Total international	376	235	323	474	372
Total cash basis loans (nonrefinancing country)	994	856	1,156	1,471	1,242
Cash basis loans (refinancing country)					
International	2	118	221	279	522
Total cash basis loans	$996	$974	$1,377	$1,750	$1,764
Ratio of cash basis loans to total loans	8.0%	6.4%	8.0%	10.3%	8.2%
Ratio of allowance for credit losses to cash basis loans	126%	136%	118%	103%	123%
Renegotiated loans					
Venezuelan government Par Bonds	$ —	$ —	$ —	$ 249	$ 249
Mexican government Par Bonds (1)	—	—	611	611	611
Highly leveraged	—	6	27	31	—
Secured by real estate	65	14	20	—	—
Other nonrefinancing country	1	1	1	—	—
Total renegotiated loans	$ 66	$ 21	$ 659	$ 891	$ 860
Other real estate	$301	$287	$ 315	$ 255	$ 92
Other nonperforming assets					
Assets acquired in credit workouts	$ 61	$ 85	$ 73	$ 34	$ —
Nonperforming derivative contracts	2	16	26	21	4
Other	—	—	6	7	28
Total other nonperforming assets	$ 63	$101	$ 105	$ 62	$ 32
Loans 90 days or more past due and still accruing interest (2)	$ —	$ 40	$ 86	$ 15	$ —

(1) During 1991, the Corporation reclassified its Mexican outstandings to nonrefinancing country status.

(2) Represents loans 90 days or more past due with respect to interest or principal. These loans were well secured and in the process of collection. The December 31, 1993 and 1992 balances includes $15 million and $66 million of international loans, respectively.

Each quarter an extensive review is performed by the Credit Audit Department and senior credit management of all cash basis loans and classified assets. Each borrower/counterparty is examined to determine whether it represents a potential loss. Whenever the probability of loss is believed to be greater than 50 percent, an immediate charge-off of the amount deemed uncollectible is recorded. The remaining portion, if any, is immediately placed on a cash basis, even if the borrower is still making required payments. If the probability of loss is believed to be less than 50 percent, but collection or liquidation in full is questionable if present trends continue, the asset is classified doubtful. It is the Corporation's policy to place all assets classified doubtful on a cash basis, even if the borrower is still making required payments. In addition, it is generally the Corporation's policy that loans be immediately placed on a cash basis when they become 90 days past due with respect to interest or principal.

The Corporation's total cash basis loans amounted to $996 million at December 31, 1994, an increase of $22 million, or 2 percent, from 1993, which had decreased $403 million, or 29 percent, from 1992. The nonrefinancing country component of total cash basis loans increased by $138 million during 1994, while the refinancing country component decreased by $116 million. Nonrefinancing country cash basis loans increased during 1994, primarily due to $423 million of leveraged derivative contracts that were reclassified as receivables to the loan portfolio and placed on a cash basis. Of this amount, $72 million was subsequently charged-off to the allowance for credit losses. Approximately one half of the remainder related to transactions with Procter & Gamble, which company, along with other counterparties, have made various claims against the Corporation in connection with various leveraged derivative transactions. With these transfers and charge-offs, the Corporation has taken action on those leveraged derivative transactions that likely will not perform according to the contracts and has charged-off the balances deemed to be uncollectible. However, there can be no assurance that there will not be other such actions or claims in the future. Within total nonrefinancing country cash basis loans, loans secured by real estate decreased $99 million, to $356 million and real estate related loans (included within the domestic commercial and industrial category in Table 8) decreased by $29 million, to $29 million. Also included in total nonrefinancing country cash basis loans were commercial and industrial loans to highly leveraged borrowers which decreased $43 million, to $150 million at December 31, 1994. The decrease in refinancing country cash basis loans was primarily due to the conversion of loans to Brady bonds when a debt exchange took place between the Brazilian government and its commercial bank creditors, including the Corporation, which completed the long-awaited refinancing of Brazil's medium- and long-term debt.

An analysis of the changes in the Corporation's total cash basis loans follows:

(in millions) Year Ended December 31,	1994	1993	1992	1991	1990
Balance, beginning of year	$974	$1,377	$1,750	$1,764	$1,351
Net transfers to cash basis loans	520	230	312	849	1,119
Net paydowns	(130)	(140)	(112)	(182)	(210)
Charge-offs	(163)	(232)	(322)	(479)	(406)
Transfers to other real estate	(72)	(10)	(87)	(159)	(72)
Transfers to other nonperforming assets	(7)	(58)	(45)	(4)	—
Loan sales	(49)	(153)	(50)	(26)	(37)
Other	(77)	(40)	(69)	(13)	19
Balance, end of year	$996	$ 974	$1,377	$1,750	$1,764

The $403 million decrease in total cash basis loans during 1993 reflected a $300 million decrease in nonrefinancing country cash basis loans and a $103 million decrease in refinancing country cash basis loans. Within total nonrefinancing country cash basis loans were commercial and industrial loans to highly leveraged borrowers of $193 million and $430 million at December 31, 1993 and 1992, respectively. The $237 million decrease in this category resulted primarily from the combination of $94 million of loan sales and conversions of $58 million of loans to equity interests (resulting in reclassifications from cash basis loans to assets acquired in credit workouts). Also within nonrefinancing country cash basis loans, loans secured by real estate decreased $42 million, to $455 million and real estate related loans (mainly included within the domestic commercial and industrial category in Table 8) decreased by $25 million, to $58 million. The decrease in refinancing country cash basis loans was primarily due to $35 million of loan sales, $32 million of charge-offs and a $30 million transfer of Brazilian sovereign bonds to securities available for sale in connection with the adoption of SFAS 115. At December 31, 1993 and 1992, all of the Corporation's refinancing country cash basis loans were to Brazilian borrowers.

The Corporation's renegotiated loans increased $45 million during 1994, primarily due to the $51 million increase in loans secured by real estate. Renegotiated loans declined $638 million during 1993, due almost entirely to the sale of $225 million of Mexican government Par Bonds and the transfer of the balance of the bonds to securities available for sale upon adoption of SFAS 115.

Special Portfolio Segments
Real Estate Portfolio

The global real estate loan portfolio totaled $1.7 billion at December 31, 1994. This included domestic loans secured by real estate of $1.360 billion, international loans secured by real estate of $140 million, and total real estate related loans of $200 million. The largest geographic concentration within loans secured by real estate was in properties in the Mid-Atlantic region, at 48 percent, of which New York City and its suburbs comprised approximately 61 percent. The next largest geographic concentrations were loans secured by properties in California, which comprised 12 percent and New England, which comprised 8 percent of the total. The largest product-type concentrations were loans secured by office buildings, 1-4 family residential properties, mixed-use properties and retail properties at 21 percent, 16 percent, 15 percent and 14 percent, respectively. All other concentrations within this total were individually less than 10 percent of total loans secured by real estate. Real estate related loans consist of loans made for any purpose to organizations or individuals, 80 percent of whose revenues or assets are derived from or consist of real estate ventures or holdings, that are not collateralized by cash or marketable securities and are not secured by real estate. The Corporation was also obligated under $445 million of standby letters of credit and $105 million of unused commitments to extend credit in connection with its commercial real estate financing activities at December 31, 1994.

Because of the diversity of the portfolio, the risks of real estate lending reflect both general and local economic conditions. Management closely monitors the portfolio, and formal reviews are conducted at least annually, with many exposures reviewed quarterly. Table 9 details the global real estate portfolio at December 31, 1994.

Table 9 Real Estate Loans and Other Real Estate

	Outstanding Balance			
(in millions) December 31, 1994	Domestic	International	Total	Cash Basis Balance
Loans secured by real estate				
Land under development	$ 32	$ 2	$ 34	$ 28
Construction				
Under construction	43	–	43	1
In lease-up (1)	159	–	159	19
Standing (2)				
1-4 family residential	215	32	247	17
Multifamily residential	102	1	103	7
Commercial	809	105	914 (3)	284
Total loans secured by real estate	1,360	140	1,500	356
Real estate related loans	190	10	200	29
Total real estate loans	$1,550	$150	$1,700	$385
Other real estate	$ 196	$105	$ 301	

(1) In lease-up are completed properties that are less than 85 percent leased-up.

(2) Standing properties have been built, developed and leased-up such that the project is considered stabilized.

(3) Includes $65 million of renegotiated loans.

Highly Leveraged Transactions

For purposes of monitoring the extent of its exposure to highly leveraged transactions ("HLTs"), the Corporation utilizes the following definition. HLTs are financing transactions the purpose of which involves a buyout, acquisition or recapitalization and which (i) doubles the subject company's liabilities and results in a leverage ratio higher than 50 percent or (ii) results in a leverage ratio higher than 75 percent or (iii) is designated an HLT by a syndication agent. Borrowers are delisted from HLT status when (1) cash flow tests, relative to their industry or peer group, are met, or (2) they are no longer highly leveraged upon emergence from Chapter 11 bankruptcy or similar proceeding. In addition, certain loans which are fully collateralized by cash or cash equivalent securities are excluded from HLT reporting.

Amounts included in the table and discussion which follow generally reflect the above definition.

Table 10 Highly Leveraged Transactions

(in millions) December 31,	1994	1993
Loans		
Senior debt	$ 959	$1,314
Subordinated debt	101	126
Total loans	$1,060	$1,440
Unfunded commitments		
Commitments to lend	$ 311	$ 603
Letters of credit	198	201
Total unfunded commitments	$ 509	$ 804
Equity investments	$ 413	$ 477
Commitments to invest	$ 313	$ 127

The Corporation's outstanding loans were to 76 separate borrowers in 30 separate industry groups at December 31, 1994, compared to 105 separate borrowers in 35 separate industry groups at December 31, 1993. The industrial machinery group, at 18 percent, and the processed food and beverage group, at 13 percent, were the only industry concentrations which exceeded 10 percent of total HLT loans outstanding at December 31, 1994.

In addition to the amounts shown in Table 10, at December 31, 1994, the Corporation had issued commitment letters which had been accepted, subject to documentation and certain other conditions, of $550 million (which were in various stages of syndication) and had additional HLTs in various stages of discussion and negotiation.

During 1994, the Corporation originated $2.2 billion of HLT commitments. It should be noted that the Corporation's loans and commitments in connection with HLTs fluctuate as new loans and commitments are made and as loans and commitments are syndicated, participated or paid.

All loans and commitments to finance HLTs are reviewed and approved by senior credit officers of the Corporation. In addition to a strict transactional and credit approval process, the portfolio of leveraged loans and commitments is actively monitored and managed to minimize risk through diversification among borrowers and industries. As part of this strategy, sell and hold targets are regularly updated in connection with market opportunities and the addition of new HLTs. Retention by the Corporation after syndication and sales of loan participations has typically been less than $50 million, and the average outstanding for the portfolio at December 31, 1994 was less than $14 million. However, at December 31, 1994, the Corporation had total exposure (loans outstanding plus unfunded commitments) in excess of $50 million to 8 separate highly leveraged borrowers.

At December 31, 1994, $150 million of the HLT loan portfolio was on a cash basis. In addition, $10 million of the equity investments in HLT companies represented assets acquired in credit workouts, which are reported as other nonperforming assets. Net recoveries of $5 million of HLT loans were recorded in 1994. In addition, the Corporation recorded a net gain of $80 million in connection with the sales and/or write-offs of certain equity investments in highly leveraged companies during 1994.

Generally, fees (typically 2 to 4 percent of the principal amount committed) and interest charged (typically LIBOR plus 1.5 to 3 percent) on HLT loans are higher than on other credits. The Corporation does not account for revenue or expenses from HLTs separately from its other corporate lending activities. However, it is estimated that transaction fees recognized for lending activities relating to highly leveraged transactions were approximately $103 million during 1994 and that as of December 31, 1994, approximately $16 million of fees were deferred and will be recognized as future revenue.

During the first quarter of 1994, the Corporation transferred approximately $238 million of outstanding loans to highly leveraged borrowers from its loan portfolio to trading. None of the loans were classified as nonperforming assets at the time of transfer. These and other trading assets have been excluded from the Corporation's HLT outstandings at December 31, 1994 as reported above. No significant impact on earnings was recorded as a result of this transfer.

Cross-Border Outstandings

The Corporation's cross-border outstandings reflect certain economic and political risks which differ from those associated with its domestic outstandings. These risks include those arising from exchange rate fluctuations, restrictions on the transfer of funds and balance-of-payments issues.

Set forth in Table 11 are the Corporation's cross-border outstandings at December 31, 1994, 1993 and 1992, for each foreign country where such outstandings exceeded one percent of total assets. The cross-border outstandings were compiled based upon category and domicile of ultimate risk and are comprised of balances with banks, trading securities, securities available for sale, securities purchased under resale agreements, loans, accrued interest receivable, acceptances outstanding and investments with foreign entities. The amounts outstanding for each country exclude local currency outstandings to the extent funded in local currency.

Table 11 Cross-Border Outstandings

($ in millions)	Total Outstandings	% of Total Assets	Governments and Official Institutions	Banks and Other Financial Institutions	Commercial and Industrial	Other
At December 31, 1994						
Japan	$4,661	4.80%	$1,911	$2,267	$483	$ —
United Kingdom	1,960	2.02	26	1,787	145	2
Italy	1,574	1.62	1,039	449	86	—
France	1,559	1.61	105	1,091	363	—
Germany	1,424	1.47	585	698	140	1
Mexico (1)	1,416	1.46	509	801	106	—
Argentina (1)	1,072	1.10	912	22	138	—
Spain	1,035	1.07	628	374	32	1
At December 31, 1993						
Japan	$3,986	4.33%	$1,368	$1,920	$698	$ —
France	2,630	2.86	1,248	1,167	215	—
United Kingdom	2,585	2.81	32	2,396	153	4
Italy	2,178	2.37	1,807	299	72	—
Mexico	1,641	1.78	1,226	314	101	—
Germany	1,623	1.76	981	348	294	—
Spain	1,135	1.23	849	195	90	1
At December 31, 1992						
Japan	$2,886	3.96%	$ 236	$2,373	$277	$ —
France	2,105	2.89	686	1,189	230	—
Germany	1,647	2.26	998	597	52	—
Mexico	1,470	2.02	1,138	327	5	—
Switzerland	1,080	1.48	—	1,074	3	3
United Kingdom	903	1.24	45	660	193	5
Australia	892	1.22	279	571	42	—
Italy	843	1.16	340	476	27	—

(1) At December 31, 1994, the Corporation's Mexican cross-border outstandings primarily consisted of trading assets carried at fair value and securities purchased under resale agreements. The Argentine cross-border outstandings consisted primarily of trading assets carried at fair value.

Governments and official institutions are comprised of foreign governments and their agencies; state, provincial and local governments and their agencies; and central banks. Banks and other financial institutions are comprised of commercial and savings banks and other similar institutions accepting short-term deposits, including government-owned banks which do not function as central banks, and nonbank credit and financial companies.

The following table details the cash basis loans and renegotiated loans components of the outstandings included in Table 11.

(in millions)	Cash Basis Loans	Renegotiated Loans
At December 31, 1994		
United Kingdom	$11	$ —
Other	27	—
Total	$38	$ —
At December 31, 1993		
United Kingdom	$10	$ —
Other	10	—
Total	$20	$ —
At December 31, 1992		
Mexico (1)	$—	$537
United Kingdom	18	—
Other	17	—
Total	$35	$537

(1) At December 31, 1992, renegotiated loans excluded $74 million representing the market value of U.S. Treasury securities collateralizing Mexican government Par Bonds. During 1993, $225 million of these Par Bonds were sold; the rest were transferred to securities available for sale.

At December 31, 1994, total cross-border commitments to borrowers or counterparties domiciled in the countries presented in Table 11 were: Japan, $62 million; United Kingdom, $289 million; Italy, $6 million; France, $72 million; Germany, $140 million; Mexico, $2 million; Argentina, $51 million; and Spain, $27 million.

Switzerland was the only country whose cross-border outstanding was between .75 percent and 1.00 percent of total assets at December 31, 1994. The aggregate cross-border outstandings for this country amounted to $963 million, or .99 percent of total assets. Argentina was the only country whose cross-border outstanding was between .75 percent and 1.00 percent of total assets at December 31, 1993. The aggregate cross-border outstandings for this country amounted to $845 million, or .92 percent of total assets. There were no countries whose cross-border outstandings were between .75 percent and 1.00 percent of total assets at December 31, 1992.

ACCOUNTING DEVELOPMENTS

The following is a summary of accounting pronouncements not yet adopted that will impact the Corporation.

Loan Impairment

In May 1993, the FASB issued SFAS 114, "Accounting by Creditors for Impairment of a Loan" as amended in October 1994 by SFAS 118, "Accounting by Creditors for Impairment of a Loan – Income Recognition and Disclosures." SFAS 114, as amended, is effective for fiscal years beginning after December 15, 1994, with earlier adoption permissible. SFAS 114 requires the creation of a valuation allowance for impaired loans based on one of the following: the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price or the fair value of the collateral. Under SFAS 114, a loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the loan's contractual terms.

The Corporation adopted SFAS 114 on January 1, 1995. However, adoption of this standard at December 31, 1994 would only have resulted in an allocation of a portion of the existing allowance for credit losses to a specific valuation allowance for impaired loans, with no resulting impact on the Corporation's net income, stockholders' equity or total assets.

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10-K Report

This Annual Report includes the Corporation's SEC Report on Form 10-K. However, portions of the Annual Report, such as pages 2-13, are not required by the Form 10-K report and are not part of the Corporation's Form 10-K. Only those sections of the Annual Report referenced in the cross-reference index on page 90 are incorporated in the Form 10-K.

Consolidated Statement of Income *(in millions, except per share data)*

Year Ended December 31,	1994	1993	1992
Net Interest Revenue			
Interest revenue	$5,030	$4,436	$4,219
Interest expense	3,858	3,122	3,072
Net Interest Revenue	1,172	1,314	1,147
Provision for credit losses	25	93	225
Net Interest Revenue After Provision For Credit Losses	1,147	1,221	922
Noninterest Revenue			
Trading	465	1,631	896
Fiduciary and funds management	740	703	648
Fees and commissions	756	710	588
Securities available for sale gains	72	—	—
Investment securities gains (losses)	—	13	(4)
Other	440	307	203
Total noninterest revenue	2,473	3,364	2,331
Noninterest Expenses			
Salaries	774	687	630
Incentive compensation and employee benefits	724	1,172	730
Occupancy, net	146	155	151
Furniture and equipment	163	144	132
Other	944	877	704
Total noninterest expenses	2,751	3,035	2,347
Income before income taxes and cumulative effects of accounting changes	869	1,550	906
Income taxes	254	480	267
Income Before Cumulative Effects of Accounting Changes	615	1,070	639
Cumulative effects of accounting changes	—	(75)	446
Net Income	$ 615	$ 995	$1,085
Net Income Applicable To Common Stock	$ 587	$ 972	$1,055
Primary Earnings Per Common Share:			
Income Before Cumulative Effects of Accounting Changes	$ 7.17	$12.40	$ 7.23
Cumulative effects of accounting changes	—	(.89)	5.30
Net Income	$ 7.17	$11.51	$12.53
Fully Diluted Earnings Per Common Share:			
Income Before Cumulative Effects of Accounting Changes	$ 7.17	$12.29	$ 7.22
Cumulative effects of accounting changes	—	(.88)	5.29
Net Income	$ 7.17	$11.41	$12.51
Cash dividends declared per common share	$ 3.70	$ 3.24	$ 2.88

The accompanying notes are an integral part of the financial statements.

Consolidated Balance Sheet *($ in millions, except par value)*

December 31,	1994	1993
Assets		
Cash and due from banks	$ 1,985	$ 1,750
Interest-bearing deposits with banks	3,390	1,638
Federal funds sold	2,544	361
Securities purchased under resale agreements	9,943	9,567
Securities borrowed	6,197	2,937
Trading assets	47,514	48,276
Securities available for sale	7,475	7,073
Loans	12,501	15,200
Allowance for credit losses	(1,252)	(1,324)
Premises and equipment, net	915	719
Due from customers on acceptances	378	455
Accounts receivable and accrued interest	2,356	2,561
Other assets	3,070	2,869
Total	$97,016	$92,082
Liabilities		
Deposits		
Noninterest-bearing		
In domestic offices	$ 3,285	$ 3,185
In foreign offices	541	707
Interest-bearing		
In domestic offices	5,769	7,120
In foreign offices	15,344	11,764
Total deposits	24,939	22,776
Trading liabilities	20,949	9,349
Securities sold under repurchase agreements	15,617	23,834
Other short-term borrowings	18,222	18,992
Acceptances outstanding	378	455
Accounts payable and accrued expenses	3,174	3,771
Other liabilities	2,328	2,524
Long-term debt	6,455	5,597
Total liabilities	92,062	87,298
Commitments and contingent liabilities (Notes 7 and 22)		
Preferred Stock of Subsidiary	250	250
Stockholders' Equity		
Preferred stock	395	250
Common stock, $1 par value		
Authorized, 300,000,000 shares		
Issued 83,678,973 shares	84	84
Capital surplus	1,317	1,321
Retained earnings	3,494	3,226
Common stock in treasury, at cost: 1994, 5,609,707 shares; 1993, 3,076,439 shares	(416)	(233)
Other	(170)	(114)
Total stockholders' equity	4,704	4,534
Total	$97,016	$92,082

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Changes in Stockholders' Equity *(in millions)*

Year Ended December 31,	1994	1993	1992
Preferred Stock			
Balance, beginning of year	$ 250	$ 500	$ 500
Preferred stock issued	350	—	—
Preferred stock redeemed	(205)	(250)	—
Balance, end of year	395	250	500
Common Stock			
Balance, beginning of year	84	84	83
Common stock issued under employee benefit plans	—	—	1
Balance, end of year	84	84	84
Capital Surplus			
Balance, beginning of year	1,321	1,306	1,262
Preferred stock and other issuance costs	(8)	—	(4)
Common stock issued or distributed under employee benefit plans	4	15	48
Balance, end of year	1,317	1,321	1,306
Retained Earnings			
Balance, beginning of year	3,226	2,552	1,743
Net income	615	995	1,085
Cash dividends declared			
Preferred stock	(28)	(22)	(30)
Common stock	(291)	(265)	(238)
Treasury stock distributed under employee benefit plans	(28)	(34)	(8)
Balance, end of year	3,494	3,226	2,552
Common Stock in Treasury, at cost			
Balance, beginning of year	(233)	(52)	(20)
Purchases of stock	(267)	(313)	(106)
Restricted stock granted, net	50	16	29
Treasury stock distributed under employee benefit plans	34	116	45
Balance, end of year	(416)	(233)	(52)
Common Stock Issuable — Stock Awards			
Balance, beginning of year	143	53	42
Deferred stock awards granted, net	18	100	27
Deferred stock distributed	(1)	(10)	(16)
Balance, end of year	160	143	53
Deferred Compensation — Stock Awards			
Balance, beginning of year	(47)	(54)	(46)
Deferred stock awards granted, net	(17)	(99)	(26)
Restricted stock granted, net	(40)	(18)	(34)
Amortization of deferred compensation, net	41	124	52
Balance, end of year	(63)	(47)	(54)
Cumulative Translation Adjustments			
Balance, beginning of year	(319)	(288)	(169)
Translation adjustments	(76)	(36)	(93)
Income taxes applicable to translation adjustments	59	5	(26)
Balance, end of year	(336)	(319)	(288)
Securities Valuation Allowance			
Balance, beginning of year	109	20	17
Change in unrealized net gains, after applicable income taxes and minority interest	(40)	1	3
Unrealized net gain, net of applicable income taxes, on securities available for sale upon adoption of SFAS 115	—	88	—
Balance, end of year	69	109	20
Total stockholders' equity, end of year	$4,704	$4,534	$4,121

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Cash Flows *(in millions)*

Year Ended December 31,	1994	1993	1992
Cash Flows From Operating Activities			
Net income	$ 615	$ 995	$ 1,085
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Cumulative effects of accounting changes	—	75	(446)
Provision for credit losses	25	93	225
Provision for policyholder benefits	205	140	120
Deferred income taxes	(141)	(37)	67
Depreciation and amortization of premises and equipment	128	107	98
Other, net	(86)	111	(25)
Earnings adjusted for noncash charges and credits	746	1,484	1,124
Net change in:			
Trading assets	1,003	(18,904)	(7,472)
Trading liabilities	11,220	4,342	1,588
Receivables and payables from securities transactions	(516)	1,096	(616)
Other operating assets and liabilities, net	(150)	100	933
Securities available for sale gains	(72)	—	—
Investment securities (gains) losses	—	(13)	4
Net cash provided by (used in) operating activities	12,231	(11,895)	(4,439)
Cash Flows From Investing Activities			
Net change in:			
Interest-bearing deposits with banks	(1,791)	1,422	881
Federal funds sold	(2,183)	77	(419)
Securities purchased under resale agreements	(127)	(2,909)	(1,971)
Securities borrowed	(3,260)	229	—
Loans	3,225	1,191	(916)
Securities available for sale:			
Purchases	(5,830)	—	—
Maturities and other redemptions	2,947	—	—
Sales	2,201	—	—
Investment securities:			
Purchases	—	(8,128)	(6,639)
Maturities and other redemptions	—	6,462	5,256
Sales	—	1,134	1,195
Acquisitions of premises and equipment	(292)	(179)	(137)
Other, net	(68)	(65)	(445)
Net cash used in investing activities	(5,178)	(766)	(3,195)
Cash Flows From Financing Activities			
Net change in:			
Deposits	1,426	(2,059)	2,655
Securities sold under repurchase agreements	(8,297)	6,416	4,907
Other short-term borrowings	(393)	7,555	(1,031)
Issuances of long-term debt	2,411	2,220	2,041
Repayments of long-term debt	(1,615)	(711)	(1,157)
Issuance of preferred stock of subsidiary	—	247	—
Issuances of preferred stock	342	—	—
Redemptions of preferred stock	(205)	(250)	—
Issuance of common stock	—	—	27
Purchases of treasury stock	(267)	(313)	(106)
Cash dividends paid	(322)	(281)	(262)
Other, net	23	200	213
Net cash provided by (used in) financing activities	(6,897)	13,024	7,287
Net effect of exchange rate changes on cash	79	3	(16)
Net Increase (Decrease) In Cash And Due From Banks	235	366	(363)
Cash and due from banks, beginning of year	1,750	1,384	1,747
Cash and due from banks, end of year	$ 1,985	$ 1,750	$ 1,384
Interest paid	$ 3,737	$ 3,098	$ 3,079
Income taxes paid, net	$ 216	$ 144	$ 142
Noncash investing activities:			
Conversions of loans to other real estate and assets acquired in credit workouts	$ 73	$ 68	$ 132
Exchanges of Chilean government bonds for annuity contracts	91	89	48
Other	32	—	24
Total noncash investing activities	$ 196	$ 157	$ 204
Noncash financing activity: exchange of series preferred stock	$ —	$ —	$ 45

The accompanying notes are an integral part of the financial statements.

Note 1 — Significant Accounting Policies

The following are the significant accounting policies of Bankers Trust New York Corporation and its subsidiaries (the "Corporation"). These policies conform with generally accepted accounting principles and prevailing industry practices, as applicable to the Corporation.

Principles of Consolidation

The consolidated financial statements of the Corporation include Bankers Trust New York Corporation (the "Parent Company"), Bankers Trust Company and its subsidiaries ("BTCo.") and all other significant, majority-owned subsidiaries, after elimination of material intercompany transactions and accounts. Other companies in which there is at least 20 percent ownership are generally accounted for in accordance with the equity method of accounting. These investments are reported in other assets and the related equity income or loss, as well as disposition gains and losses, is included in other noninterest revenue.

Resale and Repurchase Agreements; Securities Borrowed

Resale and repurchase agreements are generally treated as collateralized financing transactions and are carried at the amounts at which the securities were initially acquired or sold. The Corporation generally takes possession of securities purchased under resale agreements, which are primarily U.S. government and federal agency securities, monitors their fair value and requests additional collateral when deemed appropriate.

During the fourth quarter of 1994, the Corporation adopted FIN 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements." FIN 41 allows the netting, under certain circumstances, of certain repurchase and reverse repurchase agreements. It was the Corporation's former policy to record such transactions on a gross basis on the balance sheet. As the result of this adoption, at December 31, 1994, the Corporation's consolidated total assets and total liabilities each decreased by approximately $500 million.

Securities borrowed are recorded at the amount of cash collateral deposited with the lender. The Corporation monitors its market exposure with respect to securities borrowed transactions daily and requests the return of excess collateral as required.

Trading Securities; Securities Available for Sale

The Corporation designates securities as either trading assets or available for sale at the date of acquisition.

Debt and equity securities, as well as money market instruments which are classified as trading assets and as trading liabilities, are carried at their fair values, with the resulting gains and losses included in trading revenue.

Securities available for sale, including applicable hedges, are valued at fair value, with the resulting net unrealized gains or losses recorded in stockholders' equity as securities valuation allowance. Realized gains and losses, as well as the amortization of premiums and accretion of discounts, are recorded in earnings. The specific identification method is used to determine the cost of securities sold.

Fair value is generally based on quoted market prices or broker or dealer price quotations.

Derivatives

Swaps, futures contracts, forward commitments, options and other similar types of contracts and commitments based on either interest rates or foreign exchange rates, as well as equity and commodity derivatives, are traded by the Corporation and are carried at their fair values. Fair values for derivatives are based on quoted market prices or pricing models which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions. Gains and losses resulting from these positions are included in trading revenue.

On January 1, 1994, the Corporation adopted FIN 39, "Offsetting of Amounts Related to Certain Contracts." FIN 39 requires that unrealized gains and losses on swaps, forwards, options and similar contracts be recognized as assets and liabilities, except where such gains and losses arise from contracts covered by qualifying master netting agreements. It was the Corporation's former policy to record such unrealized gains and losses on a net basis on the balance sheet. As the result of this adoption, at December 31, 1994, the Corporation's consolidated total assets and total liabilities each increased by approximately $12 billion.

In addition to its trading activities, the Corporation, as an end user, utilizes various types of derivative products (principally interest rate and currency swaps) to manage the interest, currency and other market risks arising from a number of categories of its assets and liabilities. Revenue or expense pertaining to management of interest rate exposure is predominantly recognized over the life of the contract as an adjustment to interest revenue or expense. Realized gains and losses on hedges of equities classified as other assets are included in the carrying amounts of those assets and are ultimately recognized in income when those assets are sold. Derivatives are also used to manage the risks associated with securities available for sale. These derivatives are carried at fair value, with the resulting net

unrealized gains and losses recorded in stockholders' equity as securities valuation allowance. The discount or premium on foreign exchange forward contracts and the interest on swaps used as hedges of net investments in foreign entities, as well as the net unrealized gains and losses from revaluing these contracts to spot exchange rates, are recorded in stockholders' equity as cumulative translation adjustments.

Cash Basis Loans, Renegotiated Loans, Other Real Estate and Other Nonperforming Assets

Generally, when a loan is in default as to payment of principal or interest for 90 days or when, in the judgment of management, the accrual of interest should be ceased before 90 days, it is the Corporation's policy to place such a loan on a "cash basis." In addition, all loans classified doubtful and all partially charged-off loans are placed on a cash basis, even if the borrower is still making required payments. Any accrued but unpaid interest previously recorded on cash basis loans is reversed against current period interest revenue. Cash receipts of interest on cash basis loans are recorded as either revenue or a reduction of principal, according to management's judgment as to the collectibility of principal.

Renegotiated loans are those which have been renegotiated to an effective interest rate lower than the then-current market rate because of a deterioration in the financial position of the borrower. Interest on such loans is accrued at the renegotiated rate.

Other real estate and other assets acquired in credit workouts, either formally or through in-substance foreclosure, are recorded at the lower of fair value or the recorded investment in the related loan and are classified as other assets. Any excess of the recorded investment in the loan over the fair value of the asset acquired is accounted for as a charge to the allowance for credit losses.

Allowance For Credit Losses

The allowance for credit losses is available for credit losses arising from the Corporation's portfolio which is comprised of loans, credit-related commitments, derivatives and other financial instruments. Whenever the Credit Audit Department determines that the probability of loss is greater than 50 percent, a charge-off of the amount deemed uncollectible is recommended to the Audit Committee of the Board.

A multitude of complex and changing factors are collectively weighed by management in determining the adequacy of the allowance. These factors include management's review of the extent of existing risks in the portfolio and of prevailing economic conditions; regular examinations and evaluations of the quality of the portfolio by the Credit Audit Department and by the bank regulatory authorities; the actual loss experience and the level of the allowance.

Premises and Equipment

Premises and equipment owned are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the terms of the leases or the estimated useful lives of the improvement, whichever are shorter. Maintenance and repairs are charged to expense and improvements are capitalized. Gains and losses on dispositions are reflected in earnings.

Leased properties meeting certain criteria are capitalized and amortized using the straight-line method over the terms of the leases.

Insurance Revenue and Expense

For the Corporation's life insurance subsidiaries, premiums are recognized as revenue over the premium paying period of the related disability, annuity and other life insurance policies and are included in other noninterest revenue. Liabilities for future insurance benefits and the related provision for policyholder benefits reflect the present value of actuarially determined obligations net of future premiums. The liabilities for future benefits are included in other liabilities and the provision for benefits is included in other noninterest expenses.

Income Taxes

The Corporation recognizes the current and deferred tax consequences of all transactions that have been recognized in the financial statements using the provisions of the enacted tax laws. Deferred tax assets and liabilities are recognized for the estimated future tax effects of temporary differences. The amount of deferred tax assets is reduced, if necessary, to the amount that, based on available evidence, will more likely than not be realized.

Deferred Stock Awards

The Corporation records its obligations under outstanding deferred stock awards in stockholders' equity as common stock issuable-stock awards. The related deferred compensation is also included in stockholders' equity. These classifications are based upon the Corporation's intent to settle these awards with its common stock.

Statement of Cash Flows
For purposes of the consolidated statement of cash flows, the Corporation's cash and cash equivalents are cash and due from banks. Net cash flows from instruments such as futures, forwards, options and swaps used to hedge assets or liabilities are classified as cash flows from operating activities.

The Corporation reports the cash flows from loans made to customers and principal collected on loans, as well as from interest-bearing deposits accepted and repaid by its bank subsidiaries, on a net basis. Since the gross cash flows from the Corporation's nonbank subsidiaries' loans and interest-bearing deposits are not significant to the consolidated statement, such cash flows are also reported on a net basis.

Note 2 — Changes in Accounting Principles

During the fourth quarter of 1994, the Corporation adopted FIN 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements." FIN 41 allows the netting, under certain circumstances, of certain repurchase and reverse repurchase agreements. It was the Corporation's former policy to record such transactions on a gross basis on the balance sheet. As the result of this adoption, at December 31, 1994, the Corporation's consolidated total assets and total liabilities each decreased by approximately $500 million.

On January 1, 1994, the Corporation adopted FIN 39, "Offsetting of Amounts Related to Certain Contracts." FIN 39 requires that unrealized gains and losses on swaps, forwards, options and similar contracts be recognized as assets and liabilities, except where such gains and losses arise from contracts covered by qualifying master netting agreements. It was the Corporation's former policy to record such unrealized gains and losses on a net basis on the balance sheet. As the result of this adoption, at December 31, 1994, the Corporation's consolidated total assets and total liabilities each increased by approximately $12 billion.

Effective December 31, 1993, the Corporation adopted SFAS 115, "Accounting For Certain Investments in Debt and Equity Securities." As the result of this adoption, the Corporation recorded a credit of $145 million ($88 million on an after-tax basis) in stockholders' equity as securities valuation allowance. The adoption of SFAS 115 had no effect on net income.

On January 1, 1993, the Corporation adopted SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" and SFAS 112, "Employers' Accounting for Postemployment Benefits." As the result of this adoption, the Corporation recorded charges of $100 million and $7 million, respectively, (or $70 million and $5 million, respectively, net of income taxes) as the cumulative effects of these changes in accounting principles.

Effective January 1, 1992, the Corporation adopted SFAS 109, "Accounting for Income Taxes." The adoption of SFAS 109, resulted in a $324 million upward restatement of consolidated net income for 1992. This amount consisted of a $446 million credit recorded as the cumulative effect of the accounting change and a $122 million increase in income taxes.

Note 3 — Trading Assets and Trading Liabilities

The components of these accounts, which are carried at fair value, were as follows:

(in millions) December 31,	1994	1993
Trading assets		
U.S. government and agency securities	$10,974	$19,648
Obligations of U.S. states and political subdivisions	179	494
Foreign government securities	8,359	13,229
Corporate debt securities	5,571	5,565
Equity securities	3,850	3,804
Bankers acceptances and certificates of deposit	1,316	2,178
Swaps, options and other derivative contracts (1)	14,071	732
Other	3,194	2,626
Total trading assets	$47,514	$48,276
Trading liabilities		
Securities sold, not yet purchased		
U.S. government and agency securities	$ 4,159	$ 4,023
Foreign government securities	2,751	3,099
Equity securities	2,298	1,644
Other	174	583
Swaps, options and other derivative contracts (1)	11,567	—
Total trading liabilities	$20,949	$ 9,349

(1) Comprised of fair values of interest rate instruments, foreign exchange rate instruments, and equity and commodity instruments, reduced by the effects of master netting agreements, in accordance with FIN 39, at December 31, 1994. At December 31, 1993, prior to the adoption of FIN 39, the Corporation's policy was to record the unrealized gains and losses on these contracts on a net basis.

Securities sold, not yet purchased are recorded as liabilities on the balance sheet and have off-balance sheet market risk to the extent that the Corporation, in satisfying this obligation, may have to purchase securities at a higher market price than that recorded on the balance sheet.

Note 4 — Securities Available for Sale; Investment Securities

The fair value, amortized cost, and gross unrealized holding gains and losses for the Corporation's securities available for sale follow:

(in millions) December 31,	1994				1993			
	Fair Value	Gross Unrealized Holding Gains	(Losses)	Amortized Cost	Fair Value	Gross Unrealized Holding Gains	(Losses)	Amortized Cost
Debt securities								
U.S. government and agencies	$ 893	$ 8	$ (19)	$ 904	$1,091	$ 33	$ (36)	$1,094
States of the U.S. and political subdivisions	2,249	75	(46)	2,220	1,561	125	(59)	1,495
Asset-backed	1,447	4	(4)	1,447	1,105	3	—	1,102
Foreign governments	1,469	37	(11)	1,443	1,305	17	—	1,288
Corporate debt	1,000	21	(14)	993	1,667	32	(30)	1,665
Equity securities	417	125	(7)	299	344	98	(8)	254
Total securities available for sale	$7,475	$270	$(101)	$7,306	$7,073	$308	$(133)	$6,898

Except for U.S. government and agencies, there were no securities of any individual issuer included in securities available for sale that exceeded 10 percent of the Corporation's total stockholders' equity at December 31, 1994.

The components of securities available for sale gains (losses) as reported in the consolidated statement of income follow:

(in millions) Year Ended December 31,	1994
Debt securities — gross realized gains	$ 43
Debt securities — gross realized losses	(39)
Equity securities — net realized gains	68
Total securities available for sale gains	$ 72

The components of investment securities gains (losses) as reported in the consolidated statement of income follow:

(in millions) Year Ended December 31,	1993	1992
Debt securities — gross realized gains	$ 7	$ 8
Debt securities — gross realized losses	(5)	(28)
Equity securities — net realized gains	11	16
Total investment securities gains (losses)	$ 13	$ (4)

The Corporation's investment securities' book value and market value (or estimated market value for certain investment securities where no market quotations were available), including gross unrealized gains and losses follow:

(in millions) December 31,	1992			
	Book Value	Gross Unrealized Gains	(Losses)	Market Value
U.S. Treasury	$ 569	$ 5	$—	$ 574
— portion carried at market	44	—	—	44
U.S. government agencies and corporations	883	20	(1)	902
— portion carried at market	65	—	—	65
States of the U.S. and political subdivisions	1,312	77	(1)	1,388
Other bonds, notes, debentures and redeemable preferred stock	2,526	8	(9)	2,525
— portion carried at market	639	—	—	639
Federal Reserve Bank and other corporate stock	73	1	(1)	73
— portion carried at market	104	—	—	104
Total investment securities	$6,215	$111	$(12)	$6,314

The following table shows the fair value, remaining maturities, approximate weighted average yields (not on a fully taxable basis) and total amortized cost by maturity distribution of the debt components of the Corporation's securities available for sale at December 31, 1994.

	Maturity Distribution									
	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years		Total	
($ in millions)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
U.S. government and agencies	$ 223	4.14%	$ 670	5.44%	$ –	–%	$ –	–%	$ 893	5.12%
States of the U.S. and political subdivisions	559	8.46	593	6.51	510	5.83	587	6.71	2,249	6.89
Asset-backed securities	30	5.87	878	6.21	514	6.34	25	6.45	1,447	6.25
Foreign government securities	439	7.51	597	8.88	281	6.33	152	6.53	1,469	7.74
Corporate debt	119	6.39	599	6.30	226	7.74	56	7.44	1,000	6.70
Total fair value	$1,370		$3,337		$1,531		$820		$7,058	
Total amortized cost	$1,350		$3,339		$1,516		$802		$7,007	

Note 5 — Loans

The following table summarizes the composition of loans at the end of each of the last five years:

($ in millions) December 31,	1994		1993		1992		1991		1990	
Domestic										
Commercial and industrial	$ 2,218	18%	$ 2,794	18%	$ 3,727	21%	$ 4,074	24%	$ 5,111	24%
Financial institutions	2,221	17	3,210	21	4,544	26	3,020	18	3,701	17
Real estate										
Construction	234	2	245	2	261	2	405	2	484	2
Mortgage	1,126	9	1,550	10	1,625	9	1,499	9	1,677	8
Other	1,044	8	1,780	12	1,312	8	1,247	7	1,715	8
Total domestic	6,843	54	9,579	63	11,469	66	10,245	60	12,688	59
International										
Governments and official institutions	184	2	456	3	1,316	8	1,709	10	2,297	11
Banks and other financial institutions	2,994	24	1,935	12	1,076	6	973	5	1,752	8
Commercial and industrial	1,428	11	1,721	11	1,930	11	2,409	14	3,097	14
Real estate										
Construction	2	—	2	—	18	—	161	1	209	1
Mortgage	138	1	261	2	394	2	465	3	430	2
Other	1,014	8	1,346	9	1,212	7	1,175	7	1,107	5
Total international	5,760	46	5,721	37	5,946	34	6,892	40	8,892	41
Gross loans	12,603	100%	15,300	100%	17,415	100%	17,137	100%	21,580	100%
Less, unearned income	102		100		97		90		106	
Total loans	$12,501		$15,200		$17,318		$17,047		$21,474	

On a global basis, the commercial and industrial category and the "other" category included no single industry group with aggregate borrowings from the Corporation in excess of 10 percent of the total loan portfolio at December 31, 1994.

The following table shows certain maturity information for the Corporation's loans at December 31, 1994, excluding 1-4 family mortgages, installment loans and lease financing:

	Remaining Maturity			
(in millions)	Within one year	After one but within five years	After five years	Total
Domestic				
Commercial and industrial	$ 682	$1,321	$ 215	$ 2,218
Financial institutions	2,173	41	7	2,221
Real estate				
Construction	83	151	–	234
Mortgage	543	318	50	911
Other	765	28	–	793
Total domestic	4,246	1,859	272	6,377
International	4,222	611	767	5,600
Total	$8,468	$2,470	$1,039	$11,977
Loans due after one year				
With predetermined interest rates		$ 445	$ 753	
With floating or adjustable interest rates		$2,025	$ 286	

Cash Basis Loans and Renegotiated Loans

The Corporation's cash basis loans and renegotiated loans are summarized as follows:

(in millions) December 31,	1994	1993
Cash basis loans		
Domestic	$618	$621
International	378	353
Total cash basis loans	$996	$974
Renegotiated loans		
Domestic	$ 66	$ 21
International	—	—
Total renegotiated loans	$ 66	$ 21

At December 31, 1994 and 1993, the Corporation had commitments to make additional loans to borrowers on a cash basis or renegotiated status of $4 million and $29 million, respectively.

The following table sets forth the approximate effect on interest revenue of cash basis loans and renegotiated loans. This disclosure reflects the interest on loans which were carried on the balance sheet and classified as either cash basis or renegotiated at December 31 of each year. The rates used in determining the gross amount of interest which would have been recorded at the original rate were not necessarily representative of current market rates.

(in millions) Year Ended December 31,	1994	1993	1992
Domestic loans			
Gross amount of interest that would have been recorded at original rate	$52	$56	$ 82
Less, interest, net of reversals, recognized in interest revenue	3	8	18
Reduction of interest revenue	49	48	64
International loans			
Gross amount of interest that would have been recorded at original rate	27	29	95
Less, interest, net of reversals, recognized in interest revenue	4	22	108
Reduction of (Increase in) interest revenue	23	7	(13)
Total reduction of interest revenue	$72	$55	$ 51

In May 1993, the FASB issued SFAS 114, "Accounting by Creditors for Impairment of a Loan" as amended in October 1994 by SFAS 118, "Accounting by Creditors for Impairment of a Loan – Income Recognition and Disclosures." SFAS 114, as amended, is effective for fiscal years beginning after December 15, 1994, with earlier adoption permissible. SFAS 114 requires the creation of a valuation allowance for impaired loans based on one of the following: the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price or the fair value of the collateral. Under SFAS 114, a loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the loan's contractual terms.

The Corporation adopted SFAS 114 on January 1, 1995. However, adoption of this standard at December 31, 1994 would only have resulted in an allocation of a portion of the existing allowance for credit losses to a specific valuation allowance for impaired loans, with no resulting impact on the Corporation's net income, stockholders' equity or total assets.

Note 6 — Allowance for Credit Losses

An analysis of the changes in the Corporation's allowance for credit losses follows:

(in millions) Year Ended December 31,	1994	1993	1992
Balance, beginning of year	$1,324	$1,620	$1,806
Net charge-offs			
Charge-offs	168	460	343
Recoveries	71	71	49
Total net charge-offs	97	389	294
Losses on sales and swaps of refinancing country loans	—	—	117
Total net charges to the allowance	97	389	411
Provision for credit losses	25	93	225
Balance, end of year	$1,252	$1,324	$1,620

Note 7 — Premises and Equipment; Leases

An analysis of premises and equipment follows:

(in millions) December 31,	1994	1993
Land	$ 73	$ 70
Buildings	313	211
Leasehold improvements	311	263
Furniture and equipment	908	737
Property leased under capital leases		
Land and buildings	76	76
Equipment	3	2
Construction-in-progress	24	19
Total	1,708	1,378
Less, accumulated depreciation and amortization	793	659
Net book value	$ 915	$ 719

Included in accumulated depreciation and amortization was accumulated amortization related to capitalized leases of $26 million and $25 million at December 31, 1994 and 1993, respectively.

The Corporation is a lessee under lease agreements covering real property and equipment. Certain leases contain purchase or bargain renewal options. The future minimum lease payments required under the Corporation's capital leases and the present value of such payments at the end of 1994 were as follows:

(in millions) December 31,	1994
1995	$ 7
1996	7
1997	7
1998	7
1999	7
2000 and later	93
Total minimum lease payments	128*
Less, amount representing interest	60
Total present value of minimum lease payments	68
Less, loans to lessors of certain leased premises	63
Obligations under capital leases, net	$ 5

* *Net minimum lease payments were $103 million after deducting minimum noncancelable sublease rentals of $25 million.*

The future minimum lease payments required under the Corporation's noncancelable operating leases at the end of 1994 were as follows:

(in millions) December 31,	1994
1995	$ 58
1996	54
1997	50
1998	47
1999	48
2000 and later	196
Total minimum lease payments	$453 *

* *Net minimum lease payments were $445 million after deducting minimum noncancelable sublease rentals of $8 million.*

The following shows the net rental expense for all operating leases:

(in millions) Year Ended December 31,	1994	1993	1992
Gross rental expense	$87	$87	$95
Less, sublease rental income	9	9	14
Net rental expense	$78	$78	$81

Note 8 — Securities Sold Under Repurchase Agreements and Other Short-Term Borrowings

Short-term borrowings are borrowed funds generally with an original maturity of one year or less. Debt instruments which contain a provision for early redemption, exercisable at the option of the security holder, are classified on the basis of the earliest possible redemption date.

Securities sold under repurchase agreements and federal funds purchased generally mature in one day; commercial paper generally matures within 90 days.

The details of these borrowings for the years 1994, 1993 and 1992 are presented below:

($ in millions)	1994	1993	1992
Securities sold under repurchase agreements			
Balance at year end	$15,617	$23,834	$17,451
Average amount outstanding	21,814	23,772	20,241
Maximum amount outstanding at any month end	28,409	28,575	26,540
Average interest rate for the year	4.20%	3.64%	4.03%
Average interest rate on year-end balance	5.34%	3.59%	3.27%
Federal funds purchased			
Balance at year end	$ 3,463	$ 5,242	$ 2,926
Average amount outstanding	2,908	2,674	2,686
Maximum amount outstanding at any month end	6,742	5,719	5,254
Average interest rate for the year	3.37%	2.49%	3.12%
Average interest rate on year-end balance	4.60%	2.50%	1.83%
Commercial paper			
Balance at year end	$ 8,009	$ 7,156	$ 5,001
Average amount outstanding	7,387	5,415	4,494
Maximum amount outstanding at any month end	9,378	7,156	5,367
Average interest rate for the year	4.59%	3.65%	5.01%
Average interest rate on year-end balance	5.38%	3.47%	4.07%
Other			
Balance at year end	$ 6,750	$ 6,594	$ 3,852
Average amount outstanding	6,961	4,628	3,851
Maximum amount outstanding at any month end	7,832	6,594	4,281
Average interest rate for the year	6.57%	7.39%	8.20%
Average interest rate on year-end balance	6.27%	5.76%	7.05%

The Parent Company had standby lines of credit amounting to $500 million at December 31, 1994 with banks other than its subsidiaries to support its commercial paper outstanding. It has never been necessary for the Parent Company to activate these lines of credit.

Note 9 — Long-Term Debt

Long-term debt is summarized as follows, based on the contractual terms of each issue:

(in millions)	Fixed Rate Senior	Fixed Rate Subordinated	Floating Rate Senior	Floating Rate Subordinated	Dec. 31, 1994 Total	Dec. 31, 1993 Total
Parent Company						
Due in 1994	$ —	$ —	$ —	$ —	$ —	$ 150
Due in 1995	300	—	155	—	455	419
Due in 1996	599	150	10	—	759	761
Due in 1997	—	199	211	—	410	201
Due in 1998	100	—	67	—	167	130
Due in 1999	—	100	59	150	309	395
Due in 2000-2004	14	982	23	398	1,417	1,531
Thereafter	—	390	—	81	471	344
Total	$1,013	$1,821	$ 525	$629	$3,988	$3,931
BTCo.						
Due in 1994	$ —	$ —	$ —	$ —	$ —	$ 598
Due in 1995	—	100	388	—	488	341
Due in 1996	—	—	845	—	845	40
Due in 1997	—	24	263	—	287	86
Due in 1998	—	26	71	—	97	135
Due in 1999	—	7	108	—	115	104
Due in 2000-2004	19	25	118	—	162	75
Thereafter	—	8	71	—	79	14
Total	$ 19	$ 190	$1,864	$ —	$2,073	$1,393
BT Securities Corporation						
Variable Rate Subordinated Notes due Feb. 1997 to Nov. 1999 ($63 million at fixed rate at Dec. 1994)					$ 319	$ 162
Bankers Trust (Delaware)						
Zero Coupon Bank Notes due June 1994 to Dec. 1996					75	87
Other Subsidiaries					—	24
Total long-term debt					$6,455	$5,597

Based solely on the contractual terms of the debt issues, at December 31, 1994 and 1993 the Corporation's total fixed rate long-term debt had a weighted average interest rate of 7.26 percent and 7.50 percent, respectively.

The Corporation has entered into interest rate and currency swap agreements for many of its long-term debt issues, in order to manage its interest rate and currency risks.

The interest rates for the floating rate debt issues and the fixed rate debt issues effectively converted to floating are generally based on LIBOR, although in certain instances they are subject to minimum interest rates as specified in the agreements governing the respective issues.

The weighted average effective interest rates for total long-term debt, including the effects of the related swap agreements, were 6.23 percent and 3.58 percent at December 31, 1994 and 1993, respectively.

Certain debt securities include covenants requiring the Parent Company, from time to time or at maturity, as appropriate, to issue common stock or other securities in an amount equal to the principal amount of the debt securities, in order to comply with bank regulations governing capital adequacy. In this regard, at December 31, 1994 and 1993, the Parent Company had dedicated $598 million and $473 million, respectively, of net proceeds from such issuances.

At December 31, 1994, the Parent Company had outstanding two issues of Convertible Capital Securities due 2033 and totaling $250 million. These are subordinated debt securities which under certain circumstances can be converted into Parent Company preferred stock. See Note 11 for additional information.

The payment of principal and interest on a BTCo. $100 million issue of Subordinated Notes due March 1995 is unconditionally guaranteed on a subordinated basis by the Parent Company. The notes were issued during 1992 as part of an offering of Preferred Purchase Units. See Note 11 for additional information.

Note 10 — Preferred Stock of Subsidiary

On January 22, 1993, BT Overseas Finance N. V. ("BTOF"), an indirect, wholly-owned subsidiary of the Parent Company authorized to issue 10,000 preferred shares, $.01 par value, issued $250 million, or 2,500 shares, of Auction Rate Cumulative Preferred Stock in four series of 625 shares each — Series A-D ("BTOF Preferred"). The BTOF Preferred has contingent voting rights and a liquidation preference of $100,000 per share, plus accrued and unpaid dividends. Each of the four series is identical, except that dividend rates and dividend payment dates vary and separate auctions on different auction dates are held for each series.

The shares of each series of BTOF Preferred are redeemable, in whole but not in part, except under certain circumstances, at the option of BTOF at a redemption price of $100,000 per share, plus accrued and unpaid dividends to the date of redemption.

Dividends on each series of BTOF Preferred are cumulative and payable generally every 28 days at a rate per annum determined by auction. The rate for any dividend period is subject to a minimum rate, in certain circumstances, based upon the "AA" Corporate Commercial Paper Rate and a maximum rate based upon selected short- and long-term U.S. Treasury securities as determined at the particular auction date. For the year ended December 31, 1994 and 1993, the composite average dividend rates on the four series of BTOF Preferred were 4.32 percent and 3.20 percent, respectively. At December 31, 1994 and 1993, the composite average dividend rates were 6.44 percent and 3.41 percent, respectively.

In addition, BTOF and the Parent Company entered into an agreement pursuant to which the Parent Company agreed to sell to BTOF, upon BTOF's exercise of its right to purchase, 2,500 shares (in four series of 625 shares) of the Parent Company's Auction Rate Cumulative Preferred Stock, Series K-N ("Exchange Preferred"). BTOF and the Parent Company also agreed that BTOF will purchase and exchange the Exchange Preferred for BTOF Preferred, upon the Parent Company's exer-

cise of its right to cause such for one or more series, or upon the occurrence of certain other events, in whole but not in part. The purchase price of the Exchange Preferred in either case is $100,000 per share. The Exchange Preferred Stock has terms identical to the BTOF Preferred, except that the Parent Company can redeem the Exchange Preferred in whole or in part, the dividend periods are generally 49 days and the maximum rate for any dividend period under no circumstances will exceed 24 percent per annum.

Note 11 — Preferred Stock

Series Preferred Stock

The Parent Company is authorized to issue 10 million shares of Series Preferred Stock, without par value. All shares of Series Preferred Stock constitute one and the same class and have equal rank and priority over common stockholders as to dividends and in the event of liquidation. Each series of Series Preferred Stock has a liquidation preference per share (as indicated below), plus accrued and unpaid dividends, as well as contingent voting rights. The Series Preferred Stock outstandings were as follows:

($ in millions) December 31,	1994	1993
Series D, Outstanding: 4,105,550 shares	$ —	$205
Series J, Outstanding: 447,225 shares	45	45
Series Q, Outstanding: 80,000 shares	200	—
Series R, Outstanding: 60,000 shares	150	—
Total preferred stock	$395	$250

Series C Junior Participating Preferred Stock

The Parent Company has designated 1 million shares of the Series Preferred Stock as Series C Junior Participating Preferred Stock ("Series C"), which are issuable on the exercise of Preferred Share Purchase Rights pursuant to a Rights Agreement adopted by the Corporation in February 1988. See Note 12 for a more detailed discussion of this agreement. No Series C shares have ever been issued.

Fixed/Adjustable Rate Cumulative Preferred Stock, Series D and J

On August 31, 1989, the Parent Company issued $250 million, or 5 million shares, of Fixed/Adjustable Rate Cumulative Preferred Stock, Series D (Liquidation Preference — $50 per share) ("Series D"). On October 28, 1992, the Parent Company exchanged 447,225 shares of Fixed/Adjustable Rate Cumulative Preferred Stock, Series J (Liquidation Preference — $100 per share) ("Series J") for 894,450 shares of its Series D amounting to $44,722,500 liquidation value. After the exchange, there remained outstanding 4,105,550 shares, or $205,277,500 liquidation value, of the Series D. On September 1, 1994, the Corporation redeemed its Fixed/Adjustable Rate Cumulative Preferred Stock, Series D.

At the option of the Parent Company, the Series J may be redeemed, in whole or in part, on or after December 1, 1995 and prior to December 1, 1997 at $103.00 per share and thereafter at $100.00 per share, plus accrued and unpaid dividends to the redemption date. However, these shares may be redeemed in whole earlier if the dividend rate is adjusted upwards as a result of an amendment to effect a change in the dividends exclusion percentage provisions of the Internal Revenue Code. Any optional redemption shall be with the approval of the Federal Reserve Board unless at that time that body should determine that its approval is not required.

Dividends on the Series J are cumulative and payable quarterly on March 1, June 1, September 1 and December 1 of each year. The Series J dividend rate is fixed at 7.375 percent per annum prior to December 1, 1997. Thereafter, the dividend rate is determined by a formula that considers the interest rates of selected short- and long-term U.S. Treasury securities at the time the rate is set plus an incremental increase based on a relationship of the Parent Company's then current quarterly cash dividend declared on common stock and the last quarterly cash dividend paid on common stock prior to September 1, 1997. The Series J adjustable rate in no event will be less than 7 percent or greater than 17 percent per annum. Both the fixed and adjustable rates may be subject to adjustment in the event of enactment of an amendment to effect a change in the dividends exclusion percentage provisions of the Internal Revenue Code. The dividend rate for the Series D was fixed at 8.72 percent per annum prior to redemption and the dividend payment dates were identical to Series J.

8.55% Cumulative Preferred Stock, Series I

On March 23, 1992, Bankers Trust Company issued $100 million of 6.90% Subordinated Notes due March 1995 (the "Notes"). The Notes, which were guaranteed on a subordinated basis by the Parent Company, were issued as part of 4 million Preferred Purchase Units ("Units"). Each Unit consisted of a Note with a $25 principal amount, a subordinated guaranty by the Parent Company of such Note, and a preferred stock purchase contract (the "Purchase Contract") issued by the Parent Company. Holders of the Units were entitled to receive 8.55 percent per annum with respect to each Unit, payable quarterly, which consisted of the interest on the Notes and a contract fee in respect of the Purchase Contracts. On March 1, 1995, the Notes matured. On that same date, the Purchase Contracts required the purchase, at a price of $25 per share, of 4 million depositary shares, each representing a one-fourth interest in a share of the Parent Company's 8.55% Cumulative Preferred Stock, Series I (Liquidation Preference - $100 per share) ("Series I").

Dividends on the Series I are cumulative and payable quarterly, commencing on June 1, 1995, at a fixed rate of 8.55 percent of the liquidation preference per annum. Shares of the Series I are not redeemable prior to March 1, 1997, when they will become redeemable at the Parent Company's option at $100 per share, plus an amount equal to accrued and unpaid dividends. Any optional redemption shall be with the approval of the Federal Reserve Board unless at that time that body should determine that its approval is not required.

Auction Rate Cumulative Preferred Stock, Series K, L, M and N
The Parent Company, as part of an agreement with BTOF, holds in treasury Auction Rate Cumulative Preferred Stock in four series of 625 shares each - Series K, Series L, Series M and Series N (Liquidation Preference - $100,000 per share). See Note 10 for a more detailed discussion of this agreement.

7⅝% Cumulative Preferred Stock, Series O
On June 2, 1993, the Parent Company issued $150 million of 7⅝% Convertible Capital Securities due June 2033. These debt securities are subordinated and can only be redeemed in whole but not in part, on or after June 1, 1998 at par, plus accrued and unpaid interest to the redemption date. The Parent Company, at its option, may reset at any time the interest rate on the 7⅝% Convertible Capital Securities to a rate of 6⅛ percent per annum. As previously announced, the Corporation has opted to reset the interest rate to 6⅛ percent per annum effective March 1, 1995. Holders now have the right, at any time prior to redemption or maturity, to convert the debt securities into depositary shares, at $25 per share, each representing a one-tenth interest in a share of the Parent Company's 7⅝% Cumulative Preferred Stock, Series O (Liquidation Preference — $250 per share) ("Series O").

On March 1, 1995, approximately 5.8 million depositary receipts were issued each evidencing a depositary share representing a one-tenth interest in a share of the Corporation's Series O for a total amount of approximately $144 million.

Dividends on the Series O are cumulative and payable quarterly on each March 1, June 1, September 1 and December 1, commencing with the date succeeding original issuance. Shares of Series O are redeemable at the Parent Company's option, in whole or in part, at $300 per share on or before June 1, 1998 and thereafter at $250 per share, plus, in each case, accrued and unpaid dividends to the redemption date. Any optional redemption shall be with the approval of the Federal Reserve Board unless at that time that body should determine that its approval is not required.

7.50% Cumulative Preferred Stock, Series P
On August 19, 1993, the Parent Company issued $100 million of 7.50% Convertible Capital Securities due August 2033. These debt securities are subordinated and can only be redeemed, in whole but not in part, on or after August 15, 1998 at par, plus accrued and unpaid interest to the redemption date. The Parent Company, at its option, may reset at any time the interest rate on the 7.50% Convertible Capital Securities to a rate of 6.00 percent per annum. As previously announced, the Corporation has opted to reset the interest rate to 6.00 percent per annum effective May 15, 1995. Holders now have the right, at any time prior to redemption or maturity, to convert the debt securities into depositary shares, at $25 per share, each representing a one-fortieth interest in a share of the Parent Company's 7.50% Cumulative Preferred Stock, Series P (Liquidation Preference — $1,000 per share) ("Series P").

Dividends on the Series P, when and if issued, will be cumulative and payable quarterly on February 15, May 15, August 15 and November 15, commencing with the date succeeding original issuance. Shares of Series P, when and if issued, will be redeemable at the Parent Company's option, in whole or in part, at $1,200 per share on or before August 15, 1998 and thereafter at $1,000 per share, plus, in each case, accrued and unpaid dividends to the redemption date. Any optional redemption shall be with the approval of the Federal Reserve Board unless at that time that body should determine that its approval is not required.

Adjustable Rate Cumulative Preferred Stock, Series Q
On March 28, 1994, the Parent Company issued $200 million, or 8 million depositary shares at $25 per share, each representing a one-hundredth interest in a share of Adjustable Rate Cumulative Preferred Stock, Series Q (Liquidation Preference — $2,500 per share) ("Series Q"). At the option of the Parent Company, the Series Q may be redeemed, in whole or in part, on or after March 1, 1999, at $2,500 per share (or $25 per depositary share), plus, in each case, accrued and unpaid dividends to the redemption date. Any optional redemption shall be with the approval of the Federal Reserve Board unless at that time that body should determine that its approval is not required.

Dividends on the Series Q are cumulative and payable quarterly on March 1, June 1, September 1 and December 1 of each year. The initial dividend rate was 5.90 percent per annum for the dividend period ending on May 31, 1994. Thereafter, the dividend rate is determined by a formula that considers the interest rates of selected short- and long-term U.S. Treasury securities at the time the rate is set. In no event will the dividend rate be less than 4½ percent or more than 10½ percent per annum.

Adjustable Rate Cumulative Preferred Stock, Series R

On August 22, 1994, the Parent Company issued $150 million, or 6 million depositary shares at $25 per share, each representing a one-hundredth interest in a share of Adjustable Rate Cumulative Preferred Stock, Series R (Liquidation Preference — $2,500 per share) ("Series R"). At the option of the Parent Company, the Series R may be redeemed, in whole or in part, on or after September 1, 1999, at $2,500 per share (or $25 per depositary share), plus, in each case, accrued and unpaid dividends to the redemption date. Any optional redemption shall be with the approval of the Federal Reserve Board unless at that time that body should determine that its approval is not required.

Dividends on the Series R are cumulative and payable quarterly on March 1, June 1, September 1 and December 1 of each year. The initial dividend rate was 6.42 percent per annum for the dividend period ending on November 30, 1994. Thereafter, the dividend rate is determined by a formula that considers the interest rates of selected short- and long-term U.S. Treasury securities at the time the rate is set. In no event will the dividend rate be less than $4^1/_2$ percent or more than $10^1/_2$ percent per annum.

Serial Preferred Stock

In 1990, stockholders voted in favor of an amendment to the Restated Certificate of Incorporation of Bankers Trust New York Corporation to increase the number of shares of authorized preferred stock from 10 million to 20 million and created a new class of preferred stock called Serial Preferred Stock which would have equal rank as the Series Preferred Stock as well as priority over common stockholders as to dividends and in the event of liquidation. The Parent Company has decided to defer action on implementing this approved amendment at this time.

Note 12 — Preferred Share Purchase Rights

On February 16, 1988, the Board of Directors of the Parent Company declared a dividend distribution of one Preferred Share Purchase Right ("Right") for each share of common stock held, payable February 26, 1988 to stockholders of record on that date. Rights also automatically attach to each share of common stock issued after February 26, 1988.

Each Right entitles the record holder to purchase from the Parent Company a one-hundredth interest in a share of the Parent Company's Series C Junior Participating Preferred Stock at an exercise price of $140, subject to certain adjustments. The Rights will not be exercisable or transferable apart from the common stock until the 10th day after either a public announcement that a person or group (an "Acquiring Person") has acquired beneficial ownership of 20 percent or more of the common stock, or the announcement or commencement of a tender offer for 20 percent or more of the common stock. If the Corporation is acquired or 50 percent or more of its consolidated assets or earning power are sold, each holder of a Right will have the right to receive, upon the exercise at the then current exercise price of the Right, that number of shares of common stock of the acquiring company which have a market value of two times the exercise price of the Right. If any person becomes an Acquiring Person (unless such person first acquires 20 percent or more of the outstanding common shares by a purchase pursuant to a tender offer for all of the common shares for cash, which purchase increases such person's beneficial ownership to 80 percent or more of the outstanding common shares), each holder of a Right other than Rights beneficially owned by the Acquiring Person (which will be void), will have the right to receive upon exercise that number of common shares having a market value of two times the exercise price of the Right. The Rights will expire on February 26, 1998, but may be redeemed at any time prior to a person or group acquiring the beneficial ownership of 20 percent or more of the common stock. Until a Right is exercised, the holder will have no rights as a stockholder of the Parent Company.

After the acquisition by a person or group of beneficial ownership of 20 percent or more of the outstanding common shares and prior to the acquisition by such person or group of 50 percent or more of the outstanding common shares, the Board of Directors of the Parent Company may exchange the Rights (other than Rights owned by such person or group), in whole or in part, at an exchange ratio of one common share, or a one-hundredth interest in a share of Series C Junior Participating Preferred Stock (or a share of a class or series of the Parent Company's preferred stock having equivalent rights, preferences and privileges), per Right (subject to adjustment).

If issued, each share of Series C Junior Participating Preferred Stock will be entitled, subject to adjustment, to (i) a quarterly dividend of the greater of $1 per share or 100 times the quarterly dividend declared on each share of common stock, (ii) in the event of liquidation, dissolution or winding up, a preferential liquidation payment of the greater of $100 per share or 100 times the liquidation payment made per share of common stock, and (iii) 100 votes per share voting together with the holders of the Parent Company's common stock on all matters.

Under certain conditions, the Rights will also be redeemed in connection with an acquisition of all of the Parent Company's common stock for cash in a transaction approved by the Parent Company's stockholders. Subject to certain specified conditions, a special meeting of the Parent Company's stockholders to vote on such a transaction will be called upon the request of a potential acquiror.

These statements are qualified in their entirety by reference to the Rights Agreement, a copy of which was filed with the Securities and Exchange Commission.

Note 13 — Common Stock

The purposes and number of shares of common stock issued, distributed from treasury and purchased for treasury during 1994, 1993 and 1992 were as follows:

Year Ended December 31,	1994	1993	1992
Common shares outstanding, beginning of year	80,602,534	82,873,988	82,418,670
Shares issued or distributed under Employee Benefit Plans:			
1976 Stock Option Plan	3,000	9,376	37,787
1985 Stock Option and Stock Award Plan			
Stock options	144,769	869,966	977,504
Restricted stock awards, net	(12,619)	(25,664)	(45,258)
Deferred stock awards	15,829	204,827	392,917
1991 Stock Option and Stock Award Plan			
Stock options	274,864	591,776	191,772
Restricted stock awards, net	(5,298)	231,671	564,966
Deferred stock awards	7,459	—	—
1994 Stock Option and Stock Award Plan			
Stock options	—	—	—
Restricted stock awards, net	661,400	—	—
Deferred stock awards	—	—	—
Total shares issued or distributed	1,089,404	1,881,952	2,119,688
Shares purchased for treasury	(3,622,672)	(4,153,406)	(1,664,370)
Common shares outstanding, end of year	78,069,266	80,602,534	82,873,988

At December 31, 1994, common stock was reserved for issuance or distribution as follows:

Dividend Reinvestment and Common Stock Purchase Plan	2,512,549
Employee Benefit Plans	
PartnerShare (including ESOP shares)	2,274,330
1994 Stock Option and Stock Award Plan	14,338,600
1991 Stock Option and Stock Award Plan	6,971,290
1985 Stock Option and Stock Award Plan	2,504,571
1976 Stock Option and Stock Award Plan	911,312
Total	29,512,652

At the Annual Meeting of Stockholders on April 19, 1994, the stockholders approved the 1994 Stock Option and Stock Award Plan (the "1994 Plan") which made available for grant, until April 21, 1998, 15 million common shares. The 1994 Plan permits the granting of nonqualified and incentive stock options, restricted stock, deferred stock and other common stock-based awards (collectively, the "Awards"). Awards are still outstanding under the 1991 Stock Option and Stock Award Plan (the "1991 Plan") and the 1985 Stock Option and Stock Award Plan (the "1985 Plan"). No further Awards will be granted under either the 1991 Plan, as of April 19, 1994 or the 1985 Plan, as of April 16, 1991 or the 1976 Stock Option Plan. These plans are administered by a Committee of the Board of Directors (the "Committee"), none of whom is eligible to participate therein. The Committee determines whether, to what extent and under what circumstances the Awards may be settled in cash. Awards granted under these plans may be satisfied through the use of the Parent Company's authorized but unissued shares or shares held in the Parent Company's treasury. The Corporation currently intends to satisfy the awards to be granted under the 1994 Stock Option and Stock Award Plan and prior Stock Option and Stock Award Plans with treasury shares acquired through open market purchases and may purchase up to 4 million shares during the remainder of 1995 and the first quarter of 1996 for this purpose.

Stock options are granted to purchase stock at a price not less than the fair market value on the date of grant and may be outstanding for any period up to 10 years and one day from the date of grant. Generally, no stock option may be exercised until the employee has remained in the continuous employ of the Corporation for one year after the option is granted.

Stock appreciation rights ("SARs") entitled their holders, at the discretion of the Committee, to receive cash or stock equal to the excess of the fair market value on the date of exercise over the related option price. The exercise of SARs reduced the stock options otherwise exercisable; similarly, the exercise of stock options canceled the corresponding SARs. The Committee may permit delivery of the Parent Company's common shares already owned by the optionee in payment for the exercise of a stock option.

The following is a summary of stock option and SAR transactions which occurred during 1992, 1993 and 1994:

	Options	SARs	Option Price Per Share
December 31, 1991	4,959,503	16,927	$19.75 – $60.9375
Granted	1,806,000	—	56.75 – 64.2813
Exercised	(1,207,063)	(8,397)	19.75 – 54.125
Cancelled	(87,397)	(2,166)	
December 31, 1992	5,471,043	6,364	19.75 – 64.2813
Granted	2,132,000	—	70.4375 – 80.75
Exercised	(1,471,118)	(2,491)	19.75 – 56.75
Cancelled	(39,991)	(3,873)	
December 31, 1993	6,091,934	—	19.75 – 80.75
Granted	2,448,000	—	27.0625 – 80.75
Exercised	(422,633)	—	67.0625 – 70.25
Cancelled	(314,653)	—	19.75 – 70.4375
December 31, 1994	7,802,648	—	27.0625 – 80.75
Exercisable at:			
December 31, 1993	3,969,934	—	
December 31, 1994	5,358,148	—	

For options outstanding at December 31, 1994 and 1993, the average option price per share was $62.34 and $58.77, respectively, and the range of expiration dates was 1995 through 2004 and 1994 through 2003, respectively.

Recipients of restricted stock have all the rights of a stockholder of the Corporation, except for limitations on sale or use of shares during the restriction period, generally three years. The restriction period was generally five years, prior to October 15, 1991. At that time all previously issued restricted stock grants were given vesting dates of their original date or October 15, 1994, whichever was earlier. Restricted stock must be issued from treasury shares. The Committee determines all conditions of the awards, including whether to permit or require cash dividends to be deferred or reinvested.

Deferred stock awards are the right to receive stock, the amount of which is determined by a formula based on the Corporation's financial performance during a specific year. Beginning in 1992, awards vest immediately at the end of the performance year but are not distributed until after a specified deferral period, generally five years after the performance year. Also, during the deferral period, the 1994, 1993 and 1992 awards earn the equivalent of earnings per common share ("EPS"). Of these earnings, the portion equal to the current per share dividend is paid out currently in cash and the balance (EPS less cash dividends) is reinvested into additional deferred stock, but will not vest until the end of such deferral period. Prior to 1992, deferred stock awards, including the reinvestment of dividend equivalents, generally did not vest or become distributable until after four years from the date of award. At December 31, 1994 and 1993, there were deferred stock awards outstanding of 2,223,232 shares and 1,944,977 shares, respectively. These amounts represent the common stock issuable included in the calculations of the Corporation's book value per common share at those dates.

After providing for stock options granted, restricted stock awards and deferred stock awards, there were 11,601,183 shares under the 1994 Plan at December 31, 1994 and 942,276 shares under the 1991 Plan at December 31, 1993, available for future grant.

Note 14 — Asset and Dividend Restrictions

The Federal Reserve Act, as amended by the Monetary Control Act of 1980, requires that reserve balances on certain deposits of depository institutions be maintained at the Federal Reserve Bank. The reserve balances of the Corporation's subsidiary banks were $622 million and $180 million at December 31, 1994 and 1993, respectively. For the years 1994 and 1993, the average required reserve balances of these banks amounted to $243 million and $214 million, respectively.

Assets, principally securities available for sale, of approximately $6.495 billion at December 31, 1994 were pledged as collateral for borrowings, to secure public and trust deposits, and for other purposes.

Federal law also requires that "covered transactions," as defined, engaged in by insured banks and their subsidiaries with certain affiliates, including the Parent Company, be at arm's length and limited to 20 percent of capital and surplus, as defined, and "covered transactions" with any one such affiliate be limited to 10 percent of capital and surplus. Covered transactions are defined to include, among other things, loans and other extensions of credit to such an affiliate and guarantees, acceptances and letters of credit issued on behalf of such an affiliate. Such loans, other extensions of credit, guarantees, acceptances and letters of credit must be secured. Other restrictions also apply to inter-affiliate transactions.

Limitations exist on the availability of BTCo.'s undistributed earnings for the payment of dividends to the Parent Company without prior approval of the bank regulatory authorities. In this regard, BTCo. can declare dividends in 1995 without approval of the regulatory authorities of $1.036 billion of its retained earnings at December 31, 1994, plus an additional amount equal to net profits, as defined, for 1995 up to the date of any such dividend declaration. The Federal Reserve Board may prohibit the payment of dividends if it determines that circumstances relating to the financial condition of a bank are such that the payment of dividends would be an unsafe and unsound practice.

Certain other subsidiaries are subject to various regulatory and other restrictions which may limit cash dividends and advances to the Parent Company.

Note 15 — Interest Revenue and Interest Expense

The following are the components of interest revenue and interest expense:

(in millions) Year Ended December 31,	1994	1993	1992
Interest revenue			
Trading assets	$2,930	$2,413	$1,686
Loans	876	884	1,076
Interest-bearing deposits with banks	124	214	287
Federal funds sold	31	22	27
Securities purchased under resale agreements	468	381	624
Securities borrowed	211	127	—
Securities available for sale			
Taxable	312	—	—
Exempt from federal income taxes	78	—	—
Investment securities			
Taxable	—	329	465
Exempt from federal income taxes	—	66	54
Total interest revenue	5,030	4,436	4,219
Interest expense			
Deposits			
In domestic offices	268	218	281
In foreign offices	696	795	838
Trading liabilities	807	424	301
Securities sold under repurchase agreements	917	865	816
Other short-term borrowings	894	606	625
Long-term debt	276	214	211
Total interest expense	3,858	3,122	3,072
Net interest revenue	$1,172	$1,314	$1,147

Note 16 — Trading Revenue; Fees and Commissions; Other Noninterest Revenue

The following are the components of trading revenue, fees and commissions and other noninterest revenue:

(in millions) Year Ended December 31,	1994	1993	1992
Trading revenue[1]			
Trading	$519	$1,440	$565
Foreign exchange trading	(54)	191	331
Total trading revenue	$465	$1,631	$896
Fees and commissions			
Corporate finance fees	$431	$ 407	$326
Service charges on deposit accounts	84	90	81
Acceptances and letters of credit commissions	44	50	52
Other	197	163	129
Total fees and commissions	$756	$ 710	$588
Other noninterest revenue			
Insurance premiums	$183	$ 124	$110
Net revenue from equity investment transactions, including write-offs	109	126	13
Other	148	57	80
Total other noninterest revenue	$440	$ 307	$203

(1) The 1994 and 1993 trading revenue can be broken down by major category of market risk. For 1994, the interest rate risk, foreign exchange risk and equity and commodity risk was $278 million, $(54) million and $241 million, respectively. For 1993, the interest rate risk, foreign exchange risk and equity and commodity risk was $1.066 billion, $191 million and $374 million, respectively.

Note 17 — Other Noninterest Expenses

The following are the components of other noninterest expenses:

(in millions) Year Ended December 31,	1994	1993	1992
Provision for policyholder benefits	$205	$140	$120
Fees for professional services	151	149	121
Telecommunications	114	91	80
Agency personnel fees	117	88	63
Travel and entertainment	99	85	70
Service bureaus	76	40	37
Other	182	284	213
Total other noninterest expenses	$944	$877	$704

Note 18 — Pension and Other Employee Benefit Plans

Pension Plans

The Corporation has a trusteed, noncontributory, defined benefit pension plan covering substantially all domestic employees. The pension plan benefit formula is based upon years of service and average compensation over the final years of service. For this principal domestic pension plan, the Corporation's policy is to fund amounts which are actuarially determined in accordance with the applicable provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). Pension plan assets for this plan primarily consist of equity and debt securities managed by BTCo.

The Corporation also has a domestic, unfunded defined contribution plan, as well as both defined benefit and defined contribution retirement and similar plans covering the majority of its foreign employees. Contributions to defined contribution plans are based upon a percentage of salary.

Effective March 31, 1992, a foreign defined benefit plan was changed for most employees to a defined contribution plan, on a prospective basis. As a result of this change, the Corporation recognized a $15 million partial pension curtailment gain in other noninterest revenue.

Effective June 30, 1994, a foreign defined benefit plan was changed to a defined contribution plan. As a result of this change, the Corporation recognized a $7 million curtailment/settlement gain in other noninterest revenue.

Pension expense for 1994, 1993 and 1992 included the following components:

(in millions)	1994	1993	1992
Principal defined benefit plans			
(domestic and foreign)			
Service cost — benefits earned	$ 23	$ 20	$ 20
Interest cost on projected benefit obligations	37	33	34
Actual return on plan assets	6	(89)	(39)
Net amortization and deferral	(73)	23	(29)
Total	(7)	(13)	(14)
Defined contribution plans	10	12	12
Other plans	2	4	2
Pension expense	$ 5	$ 3	$ —

The actuarial assumptions used for the principal domestic defined benefit plan were as follows:

	1994	1993	1992
Discount rate in determining expense	7.25%	8.00%	8.00%
Discount rate in determining benefit obligations at year end	8.75%	7.25%	8.00%
Rate of increase in future compensation levels for determining expense	5.00%	5.00%	6.00%
Rate of increase in future compensation levels for determining benefit obligations at year end	5.00%	5.00%	5.00%
Expected long-term rate of return on assets	9.00%	9.00%	9.00%

At year end 1994, the effect of changing the discount rate from 7.25% to 8.75% was to decrease the projected benefit obligation, accumulated benefit obligation and vested benefit obligation by $85 million, $64 million and $62 million, respectively.

Effective January 1, 1994, several plan changes were implemented, principally a change in early retirement benefits for certain vested employees. The effect of the plan changes was to increase the projected benefit obligation, accumulated benefit obligation and vested benefit obligation by $13 million, $9 million and $8 million, respectively.

At year end 1993, the effect of changing the discount rate from 8.00% to 7.25% was to increase the projected benefit obligation, accumulated benefit obligation and vested benefit obligation by $44 million, $26 million and $23 million, respectively.

The assumptions used for the other domestic and the principal foreign defined benefit plans were substantially similar to those used for the principal domestic plan, given local economic conditions in the cases of the principal foreign plans.

The following table sets forth the funded status and amounts recognized in the Corporation's balance sheet for its principal domestic and foreign defined benefit pension plans:

	December 31, 1994		December 31, 1993	
(in millions)	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:				
Vested benefit obligations	$(339)	$(19)	$(350)	$(21)
Accumulated benefit obligations	$(351)	$(20)	$(377)	$(22)
Projected benefit obligations	$(418)	$(21)	$(471)	$(25)
Plan assets at fair value	674	1	717	3
Funded status	256	(20)	246	(22)
Unrecognized net (assets) obligations	(35)	2	(40)	2
Unrecognized prior service cost	20	—	10	—
Unrecognized net (gain) loss	(106)	3	(88)	5
Additional minimum liability	—	(4)	—	(4)
Prepaid (accrued) pension cost	$135	$(19)	$ 128	$(19)

Postretirement Benefits

The Corporation provides health care benefits to employees (retirees) who met specific age and/or service requirements on January 1, 1990 provided that they retire (retired) under the principal domestic pension plan with at least ten years of service. This plan is contributory for participating retirees and also requires them to absorb deductibles and coinsurance. The Corporation funds the cost of postretirement health care as benefits are paid. The Corporation also provides noncontributory life insurance benefits for substantially all domestic retirees with at least ten years of service. The Corporation's policy with respect to this plan is to make contributions up to the limits specified by Section 419 of the U.S. Internal Revenue Code.

On January 1, 1993, the Corporation adopted SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" and immediately recognized its entire net transition obligation, by recording a charge of $100 million ($70 million on an after-tax basis) as the cumulative effect of this change in accounting principle. SFAS 106 requires the use of actuarial-basis accrual accounting for all employer-provided postretirement benefits other than pensions.

The Corporation's postretirement benefits expense for the year ended December 31, 1994 was $10 million. This consisted of $9 million of interest cost on accumulated postretirement benefit obligations and $1 million of service cost attributable to service during the year. For the year ended December 31, 1993, postretirement benefits expense was $11 million. This consisted of $9 million of interest cost on accumulated postretirement benefit obligations and $2 million of service cost attributable to service during the year. Prior to adoption of SFAS 106, the Corporation's practice was to recognize the cost, net of retiree contributions, of both of these benefit plans each year as incurred. Expenses related to these plans were $7 million for the year ended 1992.

The actuarial assumptions used for the Corporation's postretirement benefit plans were as follows:

	December 31, 1994		December 31, 1993	
($ in millions)	Retiree Health Care	Retiree Life Insurance	Retiree Health Care	Retiree Life Insurance
Health care cost trend rate:				
First year	12.00%	N/A	13.00%	N/A
Ultimate rate after 7 years (1994) and 8 years (1993) (based on roughly equal annual decreases)	5.50%	N/A	5.50%	N/A
Discount rate in determining expense	7.25%	7.25%	8.00%	8.00%
Discount rate in determining benefit obligations at year-end	8.75%	8.75%	7.25%	7.25%
Rate of increase in future compensation levels for determining benefit obligation at both beginning and end of the year	N/A	5.00%	N/A	5.00%
Expected long-term rate of return on plan assets	N/A	9.00%	N/A	9.00%
Effect of a one-percentage-point increase in the health care cost trend rates on the accumulated postretirement benefit obligation	$6	N/A	$9	N/A
The effect of a one-percentage-point increase in the assumed health care cost trend rates on the aggregate of the service and interest cost components of net periodic postretirement expense or the year ended	$1	N/A	$1	N/A

N/A Not applicable.

At year end 1994, the effect of changing the discount rate from 7.25% to 8.75% was to decrease the accumulated postretirement benefit obligation for the retiree health care plan and the retiree life insurance plan by $16 million and $3 million, respectively. Effective January 1, 1994 the plan was amended regarding retiree deductibles. The effect of the plan amendment was to increase the accumulated postretirement benefit obligation by $9 million.

At year end 1993, the effect of changing the discount rate from 8.00% to 7.25% was to increase the accumulated postretirement benefit obligation for the retiree health care plan by $5 million. The effect of the discount rate change on the retiree life insurance plan was immaterial.

The following table sets forth the funded status and amounts recognized in the Corporation's balance sheet:

	December 31, 1994		December 31, 1993	
(in millions)	Retiree Health Care	Retiree Life Insurance	Retiree Health Care	Retiree Life Insurance
Accumulated postretirement benefit obligation:				
Retirees	$ (63)	$(4)	$ (63)	$(4)
Fully eligible plan participants	(15)	—	(14)	(2)
Other active plan participants	(16)	(4)	(34)	(3)
	(94)	(8)	(111)	(9)
Plan assets at fair value	—	4	—	5
Funded status	(94)	(4)	(111)	(4)
Unrecognized prior service cost	9	—	—	—
Unrecognized net (gain) loss	(26)	—	5	1
Accrued postretirement benefit cost	$(111)	$(4)	$(106)	$(3)

Profit Sharing Plans

The Corporation maintains a noncontributory profit sharing plan, called PartnerShare, covering substantially all domestic employees. The Corporation's contribution consists of a fixed contribution equal to six percent of eligible domestic employees' annual salary (the "Fixed Contribution") as well as an additional contribution of from zero to nine percent of eligible employees' annual salary, which percentage is calculated using a formula based on the Corporation's consolidated income before income taxes (the "Profit-Driven Contribution"). The Profit-Driven Contribution was 4.73 percent, 9.00 percent and 4.98 percent for 1994, 1993 and 1992, respectively. The sum of the Fixed Contribution and the Profit-Driven Contribution amounted to $41 million, $53 million and $41 million for the years 1994, 1993 and 1992, respectively.

Effective January 1, 1992, the Corporation changed a previously informal service-based plan covering its employees in the United Kingdom to a profit sharing plan (called the "Share and Discretionary Cash Scheme"). The Corporation's contributions

to this plan range from 0 percent to 14 percent of eligible employees' annual salary, which percentage is calculated using a formula based on the Corporation's consolidated income before income taxes. The Corporation committed to a minimum contribution of 10 percent for the years 1993 and 1992. The contribution for 1994 was 8.69 percent. The amount of expense recognized for the Share and Discretionary Cash Scheme was $8 million, $5 million and $6 million for 1994, 1993 and 1992, respectively.

Postemployment Benefits

On January 1, 1993, the Corporation adopted SFAS 112 "Employers' Accounting for Postemployment Benefits" by recording a charge of $7 million ($5 million on an after-tax basis) as the cumulative effect of this change in accounting principle. SFAS 112 establishes accounting standards for employer-provided benefits which cover former or inactive employees after employment but before retirement ("postemployment benefits"). Postemployment benefits include severance benefits, short- and long-term disability benefits, workers' compensation and the continuation of health care and life insurance coverage. SFAS 112 requires employers to recognize the probable and reasonably estimable costs of postemployment benefits on an accrual basis.

Note 19 — Income Taxes

The Corporation files consolidated income tax returns which include all significant domestic subsidiaries.

The domestic and foreign components of consolidated income before income taxes and cumulative effects of accounting changes follow:

(in millions) Year Ended December 31,	1994	1993	1992
Domestic	$139	$ (101)	$(58)
Foreign	730	1,651	964
Total	$869	$1,550	$906

For purposes of determining the above amounts, foreign income is defined as income recorded by operations located outside of the U.S.

Undistributed earnings of certain foreign subsidiaries amounted to approximately $1.2 billion at December 31, 1994. Federal taxes which would have approximated $220 million, assuming utilization of foreign tax credits, have not been provided on these earnings, as they are permanently reinvested outside the U.S.

Deferred income taxes result from differences in the timing of revenue and expense recognition for income tax and financial reporting purposes.

An analysis of consolidated income taxes, excluding the cumulative effects of accounting changes, follows:

(in millions) Year Ended December 31,	1994	1993	1992
Income taxes applicable to:			
Income before income taxes*	$254	$480	$267
Capital surplus	(5)	(16)	(15)
Cumulative translation adjustments	(59)	(5)	26
Securities valuation allowance	(16)	56	2
Total	$174	$515	$280

** Includes income tax expense related to securities available for sale transactions of $26 million in 1994 and includes income tax expense related to investment securities transactions of $5 million and $3 million in 1993 and 1992, respectively.*

The components of consolidated income taxes, excluding the cumulative effects of accounting changes, follow:

(in millions) Year Ended December 31,	1994	1993	1992
Current			
Federal	$ 5	$ 5	$ 4
Foreign	294	524	189
State and local	16	23	20
Total	315	552	213
Deferred			
Federal	(102)	70	48
Foreign	(61)	(114)	32
State and local	22	7	(13)
Total	(141)	(37)	67
Total	$ 174	$ 515	$280

The following is an analysis of the difference between the U.S. federal statutory income tax rate and the effective tax rate on consolidated income before income taxes and cumulative effects of accounting changes:

Year Ended December 31,	1994	1993	1992
U.S. federal statutory income tax rate	35%	35%	34%
State and local income taxes	2	1	—
Tax-exempt income	(6)	(2)	(2)
Foreign subsidiary earnings	(1)	(1)	—
Change in unrecognized tax benefits	—	—	—
Other items, net	(1)	(2)	(3)
Effective income tax rate	29%	31%	29%

The following is an analysis of the Corporation's net deferred tax assets:

(in millions) December 31,	1994	1993
Deferred tax assets	$1,053	$1,072
Valuation allowance	227	227
Deferred tax assets net of valuation allowance	826	845
Deferred tax liabilities	617	777
Net deferred tax assets	$ 209	$ 68

At December 31, 1994, the Corporation's deferred tax assets were primarily related to credit losses ($633 million) and deferred tax liabilities were primarily related to certain trading activities ($179 million) and lease financing activities ($221 million). At December 31, 1993, the Corporation's deferred tax assets were primarily related to credit losses ($684 million) and deferred tax liabilities were primarily related to certain trading activities ($266 million) and lease financing activities ($283 million). For income tax purposes the Corporation had approximately $85 million of foreign tax credit carryforwards that will expire in 1999.

Note 20 — Earnings Per Common Share

Effective with its December 31, 1993 financial statements, the Corporation changed its reporting of earnings per common share. The Corporation now reports primary and fully diluted earnings per share. Previously, the Corporation's reported earnings per common share were based solely on the number of average common shares outstanding, due to the fact that the difference between that figure and primary earnings per share was not significant. Primary and fully diluted earnings per share are now reported for all prior periods presented.

Primary and fully diluted earnings per common share amounts were computed by subtracting from the applicable earnings the dividend requirements on preferred stock to arrive at earnings applicable to common stock and dividing this amount by the average number of common and common equivalent shares outstanding during the year.

For both primary and fully diluted earnings per share, the average number of common and common equivalent shares outstanding was the sum of the average number of shares of common stock outstanding and the incremental number of shares issuable under outstanding stock options and deferred stock awards that had a dilutive effect as computed under the treasury stock method. Under this method, the number of incremental shares is determined by assuming the issuance of the outstanding stock options and deferred stock awards reduced by the number of shares assumed to be repurchased from the issuance proceeds, using the market price of the Parent Company's common stock. For primary earnings per share, this market price is the average market price for the period, while for fully diluted earnings per share, it is the period-end market price, if it is higher than the average price. At no time during the three-year period ended December 31, 1994 did the Corporation have outstanding any securities which were convertible to the Parent Company's common stock.

The earnings applicable to common stock and the number of shares used for primary and fully diluted earnings per share were as follows:

(in millions) Year Ended December 31,	1994	1993	1992
Earnings applicable to common stock:			
Income before cumulative effects of accounting changes	$587	$1,047	$ 609
Cumulative effects of accounting changes	—	(75)	446
Net income	$587	$ 972	$1,055
Average number of common shares outstanding	79.012	82.249	82.898
Primary earnings per share			
Average number of common and common equivalent shares outstanding	81.825	84.456	84.201
Fully diluted earnings per share			
Average number of common and common equivalent shares outstanding — assuming full dilution	81.865	85.183	84.336

Note 21 — International Operations

In order to comply with the financial reporting regulations of the Securities and Exchange Commission, the Corporation is required to report international operations on the basis of the domicile of the customer. Pursuant to these regulations, any business transacted with a customer who is domiciled outside the U.S. is reported as international operations. Due to the complex nature of the Corporation's businesses and because its revenue from customers domiciled outside the U.S. is recorded in both domestic and foreign offices, it is impossible to segregate with precision the respective contributions to income from the domestic and international operations. As these operations are highly integrated, estimates and subjective assumptions have been made to apportion revenue and expenses between domestic and international operations. These estimates and assumptions include: interest revenue and interest expense are apportioned to geographic areas based upon the geographic distribution of average assets, which reflects the domicile of the customer; charges for funds transferred from domestic to international locations are based upon the cost of short-term funds; allocation of the provision for credit losses is based upon total net charges to the allowance for credit losses and adjusted to reflect management's assessment of the risks associated with the domestic and international portfolios; noninterest revenue is generally distributed based on the location of the office recording the revenue; noninterest expenses are generally apportioned to the geographic area where the revenue is attributed; and adjustments are made for the difference between foreign and U.S. tax rates.

Subject to the above limitations, estimates and assumptions, the following tables present information attributable to international operations:

($ in millions)	Total assets	Total revenue	Total expenses	Income before taxes	Net income
1994					
International operations					
Asia	$ 7,867	$ 434	$ 423	$ 11	$ 8
Australia/New Zealand	8,086	733	526	207	151
Western Hemisphere	8,775	896	793	103	75
Europe	6,746	581	544	37	27
United Kingdom	25,645	1,546	1,402	144	105
Middle East/Africa	123	16	13	3	2
Total international	57,242	4,206	3,701	505	368
Domestic operations	60,883	4,210	3,846	364	247
Intersegment eliminations	(21,109)	(913)	(913)	—	—
Total	$97,016	$7,503	$6,634	$869	$615
International percentage of total (before intersegment eliminations)	48%	50%	49%	58%	60%

($ in millions)	Total assets	Total revenue	Total expenses	Income before taxes (1)	Net income
1993					
International operations					
Asia	$ 6,942	$ 678	$ 454	$ 224	$151
Australia/New Zealand	5,730	637	428	209	141
Western Hemisphere	7,683	562	462	100	68
Europe	12,351	686	639	47	32
United Kingdom	14,791	2,266	1,570	696	471
Middle East/Africa	307	29	26	3	2
Total international	47,804	4,858	3,579	1,279	865
Domestic operations	56,634	3,715	3,444	271	130
Intersegment eliminations	(12,356)	(773)	(773)	—	—
Total	$ 92,082	$7,800	$6,250	$1,550	$995
International percentage of total (before intersegment eliminations)	46%	57%	51%	83%	87%

($ in millions)	Total assets	Total revenue	Total expenses	Income before taxes (1)	Net income
1992					
International operations					
Asia	$ 6,866	$ 567	$ 420	$147	$ 122
Australia/New Zealand	5,052	756	518	238	165
Western Hemisphere	6,963	595	487	108	469
Europe	8,803	671	600	71	75
United Kingdom	8,696	1,221	1,069	152	83
Middle East/Africa	605	57	35	22	50
Total international	36,985	3,867	3,129	738	964
Domestic operations	48,794	3,383	3,215	168	121
Intersegment eliminations	(12,893)	(700)	(700)	—	—
Total	$72,886	$6,550	$5,644	$906	$1,085
International percentage of total (before intersegment eliminations)	43%	53%	49%	81%	89%

(1) Excludes cumulative effects of accounting changes.

Note 22 — Derivative Financial Instruments and Financial Instruments With Off-Balance Sheet Risk

In the normal course of business, the Corporation is a party to a variety of derivative and off-balance sheet financial instruments to meet the needs of its customers, to manage its exposure to interest rate and other risks, and to take trading positions. These financial instruments consist of derivatives (such as swaps and options), when-issued securities, securities lending indemnifications, and credit-related arrangements and involve varying degrees of credit risk and market risk.

Credit risk, as defined by SFAS 105, represents the maximum potential accounting loss due to possible non-performance by obligors and counterparties under the terms of their contracts. Market risk represents the potential loss due to the decrease in the value of a financial instrument caused primarily by changes in interest rates or foreign exchange rates, or the prices of equities or commodities (or related indices).

The Corporation manages the credit risk of its derivative and off-balance sheet portfolios by limiting the total amount of arrangements outstanding with individual customers; by monitoring the size and maturity structure of the portfolios; by obtaining collateral based on management's credit assessment of the customer; and by applying a uniform credit process for all credit exposures. Collateral held generally includes cash and U.S. government and federal agency securities. In order to reduce derivatives-related credit risk, the Corporation enters into master netting agreements which incorporate the right of setoff to provide for the net settlement of covered contracts with the same customer in the event of default or other cancellation of the agreement. In addition, management evaluates these portfolios periodically to determine whether the allowance for credit losses is adequate to absorb potential losses in such portfolios.

For a further discussion of derivative financial instruments (including leveraged derivative transactions) the related market and credit risks, and controls used to monitor such risks, which is not included as part of these audited financial statements, see "Risk Management" on page 23, "Derivatives" on page 26, "Summary of Credit Loss Experience" on page 33 and "Nonperforming Assets" on page 36. For the risk-based capital equivalent amounts of the Corporation's derivative and off-balance sheet exposures, which also are not included as part of these audited financial statements, see "Capital Resources" on page 31.

Trading Derivative Financial Instruments
The Corporation actively manages trading positions in a variety of derivative contracts. Most of the Corporation's trading positions are established as a result of providing derivative products to meet customers' demands. To anticipate customer demand for such transactions, the Corporation also carries an inventory of capital market instruments and maintains its access to market liquidity by quoting bid and offer prices to, and trading with, other market makers. These two activities are essential to provide customers with capital market products at competitive prices. All positions are reported at fair value and changes in fair values are reflected in trading revenue as they occur.

Trading derivatives have been carried on the balance sheet at their current gross fair values since January 1, 1994, in accordance with FIN 39. Prior to this date, it was industry practice to record such contracts at their fair values on a net basis. Contracts with positive fair values are now recorded as assets and contracts with negative fair values are now recorded as liabilities, after application of qualifying master netting agreements. As a result, both assets and liabilities increased by approximately $12 billion at December 31, 1994. Adoption of FIN 39 resulted in net decreases in the Corporation's ratios of stockholders' equity to total assets and the Leverage Ratio; however, net income and the risk-based capital ratios were not affected.

As required by SFAS 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments," the amounts disclosed below represent the end-of-period fair values of trading derivatives and their average aggregate fair values during the year. These amounts are presented gross before the impact of master netting agreements and collateral. The gross fair values of trading derivatives do not represent the amount of market or credit risk of derivatives in the trading portfolio. Rather, they indicate the depth of involvement in the over-the-counter (OTC) markets for interest rate, foreign exchange rate, and equity and commodity price derivatives during the year. Any measurement of risk is meaningful only when all related factors are identified, such as risk-offsetting transactions, master netting agreements, and the value of any related collateral. The Corporation considers such factors in its RAROC system and in other internal risk analyses. The accounting impact of netting agreements, which is applied on a cross-product basis in accordance with the terms of each master agreement and which is calculated based on the criteria prescribed by FIN 39, is provided below in order to display how these amounts are reflected in trading assets and trading liabilities in the consolidated balance sheet.

The following table reflects the gross fair values and balance sheet amounts of trading derivatives:

	At December 31, 1994		Average during 1994	
(in millions)	Assets	(Liabilities)	Assets	(Liabilities)
OTC Financial Instruments				
Interest Rate and Currency Swap Contracts	$15,055	$(11,388)	$15,646	$(12,589)
Interest Rate Contracts				
Forwards	91	(127)	66	(74)
Options purchased	1,211		1,131	
Options written		(2,330)		(1,707)
Foreign Exchange Rate Contracts				
Spot and Forwards	8,127	(7,988)	9,544	(9,715)
Options purchased	1,504		1,420	
Options written		(1,522)		(1,276)
Equity-related contracts	1,005	(1,316)	1,499	(1,788)
Commodity-related and other contracts	578	(451)	464	(398)
Exchange-Traded Options				
Interest Rate	191	(113)	77	(50)
Foreign Exchange	—	(62)	21	(32)
Equity	82	(43)	86	(69)
Commodity	—	—	—	—
Total Gross Fair Values	27,844	(25,340)	29,954	(27,698)
Impact of Netting Agreements	(13,773)	13,773	(14,511)	14,511
Total assets reflected on balance sheet in "Trading Assets"	$14,071		$15,443	
Total liabilities reflected on balance sheet in "Trading Liabilities"		$(11,567)		$(13,187)

Derivatives are generally either privately-negotiated OTC contracts or standard contracts transacted through regulated exchanges. For information as to the credit risk of OTC trading derivatives, which is not included as part of these audited financial statements, see "Derivatives" on page 26. Fair values of futures contracts are not included above due to cash margining requirements of regulated exchanges. Monthly averages are used in the table above.

End-User Derivative Financial Instruments
The Corporation, as an end user, utilizes various types of derivative products (principally interest rate swaps) to manage the interest rate, currency and other market risks associated with certain liabilities and assets such as interest-bearing deposits, short-term borrowings and long-term debt as well as investments in non-marketable equity instruments and net investments in foreign entities. Revenue or expense pertaining to management of interest rate exposure is predominantly recognized over the life of the contract as an adjustment to interest revenue or expense.

When the Corporation purchases assets and issues liabilities at fixed interest rates it subjects itself to fair value fluctuations as market interest rates change. These fluctuations in fair value are managed by entering into interest rate contracts which change the fixed rate instrument into a variable rate instrument.

When the Corporation purchases foreign currency denominated assets, issues foreign currency denominated debt or has foreign net investments, it subjects itself to changes in value as exchange rates move. These fluctuations are managed by entering into currency swaps and forwards.

The Corporation's investments in nonmarketable and restricted equity instruments classified in other assets are subject to changes in market values. These changes are managed by entering into equity swaps and options.

The fair values and other information related to end-user derivatives are disclosed in Note 24.

Contractual Notional Amounts of Trading and End-User Derivative Financial Instruments

Contractual notional amounts indicate the extent of the Corporation's involvement in the various types and uses of derivative financial instruments and do not measure the Corporation's exposure to credit or market risks and do not necessarily represent the amounts exchanged by the parties to the instruments. The amounts exchanged are based on the contractual notional amounts and the other terms of the instruments. Notional amounts are not included in the consolidated balance sheet and generally exceed the future cash requirements relating to the instruments. The leveraging effects of leveraged derivative transactions are not reflected in the table below.

Contractual Notional Amounts *(in millions)*	December 31, 1994		December 31, 1993	
	Trading	End User (1)(2)	Trading	End User (1)(2)
Interest rate contracts				
Swaps	$ 480,962	$34,448	$ 349,669	$37,228
Futures and forwards	322,854	5,725	466,770	—
Options purchased	203,598	194	147,488	—
Options written	237,336	—	326,609	—
Total	$1,244,750	$40,367	$1,290,536	$37,228
Foreign exchange rate contracts				
Spot, forwards, futures	$ 555,092	$ 1,919	$ 447,427	$ 1,142
Swaps	58,930	1,575	50,664	1,286
Options purchased	27,835	—	35,385	—
Options written	31,332	—	37,846	—
Total	$ 673,189	$ 3,494	$ 571,322	$ 2,428
Equity, commodity and other contracts (3)				
Swaps, futures and forwards	$ 19,980	$ 150	$ 20,691	$ 150
Options purchased	21,904	69	11,493	90
Options written	21,833	—	13,188	—
Total	$ 63,717	$ 219	$ 45,372	$ 240

(1) These are transacted with derivatives traders within the Corporation who are intermediaries to external markets.

(2) These are hedges of securities available for sale, other assets, interest-bearing deposits, other short-term borrowings, long-term debt and net investments in foreign subsidiaries.

(3) Represents primarily stock or stock index contracts.

Swaps

Interest rate swap contracts generally represent the contractual exchange of fixed and floating rate payments of a single currency, based on a notional amount and an interest reference rate. Cross-currency interest rate swap contracts generally involve the exchange of payments which are based on the interest reference rates available at the inception of the contract on two different currency principal balances that are exchanged. The principal balances are re-exchanged at an agreed upon rate at a specified future date. Equity swap contracts typically involve the payment of an amount equal to the total return of a U.S. or international equity index, basket of equities, or an individual equity over a fixed time period in exchange for receiving a floating interest rate, both based upon the same notional amount.

Futures and Forwards

Futures and forward contracts represent commitments to purchase or sell securities, money market instruments, foreign currencies or commodities at a future date and at a specified price. Futures contracts are traded on regulated U.S. and international exchanges. The Corporation intends to close out most open positions in futures contracts prior to maturity, therefore future cash receipts or payments are generally limited to the change in fair value of the underlying instruments. Since futures contracts generally entail daily net cash margining with regulated exchanges, the credit risk is generally minimized to a one-day receivable. Included in this category of contracts are spot foreign currency contracts, cash-settled index contracts, and forward rate agreements (agreements to exchange amounts at a specified future date for interest rate differentials between an agreed interest rate and a reference rate, computed on a notional amount).

Options

Option contracts are either deliverable or cash-settled. Deliverable contracts convey to the purchaser (holder) the right to buy (call) or sell (put) securities, money market instruments, foreign currencies or commodities at or before a specified date for a contracted price from the seller (writer) of the contract. Cash-settled contracts convey to the purchaser the right to the monetary equivalent of the increase (call) or decrease (put), or a percentage thereof, in a specified reference rate or index, computed on a notional amount, from the writer. The initial price of an option contract is equal to the premium paid by the purchaser and is significantly less than the contract or notional amount. Included in these contracts are: (i) interest rate caps, floors and collars, which are agreements to make periodic payments for interest rate differentials between an agreed upon interest rate and a reference rate and (ii) purchased options to enter into future (or cancel existing) interest rate swap contracts ("swap options").

The Corporation is subject to credit risk as a purchaser of an option contract, and is subject to market risk to the extent of the purchase price of the option. The Corporation is subject to market risk on its written option contracts, but not to credit risk, except as noted below, since the customer has already performed according to the terms of the contract by paying a cash premium up front. However, for SFAS 105 purposes, credit risk arises to the extent that the option contract requires or permits settlement in the underlying instrument, and that instrument is subject to credit risk. Such amounts related to certain written put option contracts on debt securities and certain forward contracts to purchase debt securities were $1.917 billion and $2.519 billion at December 31, 1994 and 1993, respectively. The underlying debt securities were primarily obligations of U.S. and foreign central and local governments and U.S. federal agencies.

Financial Instruments with Off-Balance Sheet Credit Risk
As required by SFAS 105, off-balance sheet credit risk amounts are determined without consideration of the value of any related collateral and reflect the total potential loss on commitments to purchase when-issued securities for all obligors (including governments); securities lending indemnifications; and undrawn commitments, standby letters of credit and similar arrangements.

Securities and Money Market Activities

(in millions)	December 31, 1994		December 31, 1993	
	Contract Amount	Credit Risk Amount	Contract Amount	Credit Risk Amount
When-issued securities and other				
Commitments to sell	$ 3,956	$ 10	$ 2,964	$ 3
Commitments to purchase (1)	6,093	6,101	4,540	4,561
Securities lending indemnifications	21,018	21,018	16,590	16,590

(1) Includes $1.5 billion of forward-dated money market assets at December 31, 1994.

When-issued securities normally begin trading when the U.S. Treasury or some other issuer of securities announces a forthcoming issue. (In some cases, trading may begin in anticipation of such an announcement.) Such transactions are contingent upon the actual issuance of the security. Since the exact price and terms of the security are unknown before the issue date, trading prior to that date is on a "yield" basis. On the issue date the exact terms and price of the security become known and when-issued trading continues until settlement date, when the securities are delivered and the issuer is paid. On settlement date, the securities purchased by the Corporation are reported on the balance sheet.

Securities lending indemnifications represent the market value of customers' securities lent to third parties. The Corporation indemnifies customers to the extent of the replacement cost and/or the market value of the securities in the event of a failure by a third party to return the securities lent. The market value of collateral, primarily cash, received for customers' securities lent was in excess of the contract amounts and was approximately $23 billion at December 31, 1994 and $17 billion at December 31, 1993.

Credit-Related Arrangements

(in millions)	December 31, 1994		December 31, 1993	
	Contract Amount	Credit Risk Amount	Contract Amount	Credit Risk Amount
Commitments to extend credit (1)	$8,808	$8,808	$10,835	$10,835
Standby letters of credit and similar arrangements (2)	4,413	4,413	5,093	5,093

(1) Includes participations to other entities of approximately $2 billion and $3 billion at December 31, 1994 and 1993, respectively. Of the non-participated amount, approximately $3 billion and $4 billion expire in one year or less at December 31, 1994 and 1993, respectively. Both the contract amount and the credit risk amount included commitments to enter into resale agreements of $.5 billion at December 31, 1993.

(2) Includes participations to other entities of approximately $2 billion at both December 31, 1994 and 1993.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates or other termination clauses and require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. Included in the amounts above are unused commitments to extend credit that are related to loans held for trading purposes. Information regarding the Corporation's credit risk with respect to real estate financing activities and highly leveraged transactions, which is not included as part of the audited financial statements, is disclosed on page 38 and page 39, respectively.

Standby letters of credit and similar arrangements ("standbys"), issued primarily to support corporate obligations, commit the Corporation to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract. Standbys outstanding related to customer obligations, such as commercial paper, medium-and long-term notes and debentures (including industrial revenue obligations), as well as other financial and performance related obligations. At December 31, 1994, $2.865 billion will expire within one year, $1.344 billion from one to four years and $204 million after four years.

For standbys, commitments to extend credit and securities lending indemnifications, the credit risk amount represents the contractual amount. Standbys and commitments to extend credit would have market risk if issued or extended at a fixed rate of interest. However, these contracts are primarily made at a floating rate. Fees received are generally recognized as revenue over the life of the commitment.

Note 23 — Concentrations of Credit Risk

The Corporation, as required by SFAS 105, has identified two significant concentrations of credit risk: OECD country banks and OECD country central governments, their agencies and central banks. Together they represented 40 percent and 48 percent of total credit risk at December 31, 1994 and 1993, respectively. The Organization for Economic Cooperation and Development (OECD) is an international organization of countries which are committed to market-oriented economic policies, including the promotion of private enterprise and free market prices, liberal trade policies, and the absence of exchange controls. The OECD consists of 25 industrialized nations, primarily the countries of Western Europe, the U.S., Canada, Japan, Australia and New Zealand. For risk-based capital purposes, domestic and foreign bank regulators assign OECD country central governments, their agencies and their central banks a credit risk weighting of zero percent, which means that no capital is required to support their financial instruments. OECD country banks are assigned the next lowest credit risk weighting (20 percent) by these regulators. The largest counterparty concentration was the U.S. government and its related entities, which comprised approximately 51 percent of the OECD country governments category.

The following table reflects the aggregate credit risk by groups of counterparties, as defined by SFAS 105, relating to on- and off-balance sheet financial instruments at December 31, 1994 and 1993. The decrease in off-balance sheet credit risk of OECD country banks was primarily caused by adoption of FIN 39 in 1994.

	Credit Risk		
(in millions)	On-Balance Sheet	Off-Balance Sheet	Total
1994			
Significant concentrations (1)			
OECD country banks (2)	$21,949	$ 4,556	$ 26,505
OECD country governments	19,968	5,934	25,902
Total significant concentrations	41,917	10,490	52,407
All other (3)(4)	47,253	31,674	78,927
Total	$89,170	$42,164	$131,334
1993			
Significant concentrations			
OECD country banks (2)	$10,640	$18,843	$ 29,483
OECD country governments	34,343	6,368	40,711
Total significant concentrations	44,983	25,211	70,194
All other (3)(4)	39,391	36,592	75,983
Total	$84,374	$61,803	$146,177

(1) For these purposes, Mexico has been excluded from the OECD categories.

(2) Included in the on-balance sheet component of this category was approximately $6 billion and $3 billion at December 31, 1994 and 1993, respectively, that was collateralized by U.S. government securities.

(3) The "all other" category of credit risk is diversified with respect to type of obligor and counterparty. Included in the on-balance sheet component of this category was approximately $5 billion and $6 billion at December 31, 1994 and 1993, respectively, that was collateralized by cash and U.S. government securities. Included in the off-balance sheet component of this category at December 31, 1994 was approximately $20 billion that was collateralized by cash and U.S. government securities and approximately $6 billion of unused commitments to extend credit, approximately $3 billion of which expire in one year or less. The corresponding amounts for December 31, 1993 were $16 billion, $8 billion and $4 billion, respectively.

(4) Includes:

	Credit Risk		
(in millions)	On-Balance Sheet	Off-Balance Sheet	Total
1994			
Real estate	$1,700	$550	$2,250
Highly leveraged	1,060	509	1,569
1993			
Real estate	$2,272	$749	$3,021
Highly leveraged	1,440	804	2,244

Information regarding the Corporation's credit risk with respect to real estate financing activities and highly leveraged transactions, which is not included as part of the audited financial statements, appears on pages 38 and 39, respectively.

Note 24 — Fair Value of Financial Instruments

SFAS 107, "Disclosures about Fair Value of Financial Instruments," requires the disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Quoted market prices, when available, are used as the measure of fair value. In cases where quoted market prices are not available, fair values are based on present value estimates or other valuation techniques. These derived fair values are significantly affected by assumptions used, principally the timing of future cash flows and the discount rate. Because assumptions are inherently subjective in nature, the estimated fair values cannot be substantiated by comparison to independent market quotes and, in many cases, the estimated fair values would not necessarily be realized in an immediate sale or settlement of the instrument. The disclosure requirements of SFAS 107 exclude certain financial instruments and all nonfinancial instruments (e.g., franchise value of businesses). Accordingly, the aggregate fair value amounts presented do not represent management's estimation of the underlying value of the Corporation.

SFAS 119 amended SFAS 107 for December 31, 1994 disclosure purposes. The amendments, among others, require that the disclosures distinguish between financial instruments held for trading purposes, measured at fair value with gains and losses recognized in earnings, and financial instruments held or issued for purposes other than trading. The fair value of derivative financial instruments must be disclosed separately from non-derivative financial instruments. Additionally, the fair value of derivative financial instruments may not be netted with the fair value of other derivative financial instruments, except as allowed by FIN 39.

The following are the estimated fair values of the Corporation's financial instruments followed by a general description of the methods and assumptions used to estimate such fair values.

Fair Value of Financial Instruments

(in millions) December 31, 1994	Book Value	Underlying Fair Value	Effect of End-User Derivative	Total Fair Value	Fair Value Over (Under) Book Value
Financial Assets, Including Hedges					
Cash and due from banks	$ 1,985	$ 1,985	$ —	$ 1,985	$ —
Interest-bearing deposits with banks	3,390	3,390	—	3,390	—
Federal funds sold	2,544	2,544	—	2,544	—
Securities purchased under resale agreements	9,943	9,943	—	9,943	—
Securities borrowed	6,197	6,197	—	6,197	—
Trading assets (see Notes 3 and 22)	47,514	47,514	—	47,514	—
Securities available for sale (see Note 4)	7,475	7,442	33	7,475	—
Loans (excluding leases), commitments to extend credit and standby letters of credit	12,181	11,807	—	11,807	(374)
Allowance for credit losses	(1,252)	—	—	—	1,252
Due from customers on acceptances	378	378	—	378	—
Accounts receivable and accrued interest	2,356	2,356	—	2,356	—
Other financial assets	1,669	1,893	(51)	1,842	173
Financial Liabilities, Including Hedges					
Noninterest-bearing deposits	3,826	3,826	—	3,826	—
Interest-bearing deposits	21,113	21,089	94	21,183	70
Trading liabilities (see Notes 3 and 22)	20,949	20,949	—	20,949	—
Securities sold under repurchase agreements	15,617	15,614	—	15,614	(3)
Other short-term borrowings	18,222	18,220	1	18,221	(1)
Acceptances outstanding	378	378	—	378	—
Other financial liabilities	3,574	3,574	—	3,574	—
Long-term debt	6,455	6,287	195	6,482	27
Net investments in foreign subsidiaries	—	—	(22)	(22)	(22)

(in millions) December 31, 1993	Book Value	Underlying Fair Value	Effect of End-User Derivative	Total Fair Value	Fair Value Over (Under) Book Value
Financial Assets, Including Hedges					
Cash and due from banks	$ 1,750	$ 1,750	$ —	$ 1,750	$ —
Interest-bearing deposits with banks	1,638	1,638	—	1,638	—
Federal funds sold	361	361	—	361	—
Securities purchased under resale agreements	9,567	9,564	—	9,564	(3)
Securities borrowed	2,937	2,937	—	2,937	—
Trading assets (see Notes 3 and 22)	48,276	48,276	—	48,276	—
Securities available for sale (see Note 4)	7,073	7,178	(105)	7,073	—
Loans (excluding leases), commitments to extend credit and standby letters of credit	14,861	14,523	—	14,523	(338)
Allowance for credit losses	(1,324)	—	—	—	1,324
Due from customers on acceptances	455	455	—	455	—
Accounts receivable and accrued interest	2,561	2,561	—	2,561	—
Other financial assets	1,651	1,844	(42)	1,802	151
Financial Liabilities, Including Hedges					
Noninterest-bearing deposits	3,892	3,892	—	3,892	—
Interest-bearing deposits	18,884	18,962	(17)	18,945	61
Trading liabilities (see Notes 3 and 22)	9,349	9,349	—	9,349	—
Securities sold under repurchase agreements	23,834	23,834	—	23,834	—
Other short-term borrowings	18,992	18,980	9	18,989	(3)
Acceptances outstanding	455	455	—	455	—
Other financial liabilities	5,086	5,086	—	5,086	—
Long-term debt	5,597	5,814	(143)	5,671	74

A discussion of the nature, objectives and strategies for using end-user derivatives can be found in Note 22.

The following table provides the gross unrealized gains and losses for end-user derivatives. Gross unrealized gains and losses for hedges of securities available for sale are recognized in the financial statements with the offset as an adjustment to securities valuation allowance in stockholders' equity. Gross unrealized gains and losses for hedges of other assets, interest-bearing deposits, other short-term borrowings, long-term debt and net investments in foreign subsidiaries are not yet recognized in the financial statements.

(in millions) December 31, 1994	Securities Available For Sale	Other assets	Interest-bearing deposits	Other short-term borrowings	Long-term debt	Net Investments in Foreign Subsidiaries	Total
Interest Rate Swaps							
Pay Variable Unrealized Gain	$ —	$ —	$ 17	$ 4	$ 62	$ —	$ 83
Pay Variable Unrealized (Loss)	(1)	—	(191)	(4)	(200)	—	(396)
Pay Variable Net	(1)	—	(174)	—	(138)	—	(313)
Pay Fixed Unrealized Gain	48	—	105	—	28	—	181
Pay Fixed Unrealized (Loss)	(19)	—	(31)	—	(15)	—	(65)
Pay Fixed Net	29	—	74	—	13	—	116
Total Unrealized Gain	48	—	122	4	90	—	264
Total Unrealized (Loss)	(20)	—	(222)	(4)	(215)	—	(461)
Total Net	$ 28	$ —	$(100)	$ —	$(125)	$ —	$(197)
Forward Rate Agreements							
Unrealized Gain	$ —	$ —	$ 4	$ —	$ —	$ —	$ 4
Unrealized (Loss)	—	—	(5)	—	—	—	(5)
Net	$ —	$ —	$ (1)	$ —	$ —	$ —	$ (1)
Currency Swap							
Unrealized Gain	$ —	$ —	$ 9	$ —	$ 4	$ —	$ 13
Unrealized (Loss)	—	—	(2)	(1)	(74)	(22)	(99)
Net	$ —	$ —	$ 7	$ (1)	$ (70)	$(22)	$ (86)
Other Contracts (1)							
Unrealized Gain	$ 5	$ 2	$ —	$ —	$ —	$ —	$ 7
Unrealized (Loss)	—	(53)	—	—	—	—	(53)
Net	$ 5	$(51)	$ —	$ —	$ —	$ —	$ (46)
Total Unrealized Gain	$ 53	$ 2	$ 135	$ 4	$ 94	$ —	$ 288
Total Unrealized (Loss)	(20)	(53)	(229)	(5)	(289)	(22)	(618)
Total Net	$ 33	$(51)	$ (94)	$ (1)	$(195)	$(22)	$(330)

(in millions) December 31, 1993 (2)							
Total Unrealized Gains	$ 3	$ 10	$ 252	$ —	$ 290	$ —	$ 555
Total Unrealized (Loss)	(108)	(52)	(235)	(9)	(147)	—	(551)
Total Net	$(105)	$(42)	$ 17	$ (9)	$ 143	$ —	$ 4

(1) Other contracts are principally equity swaps and collars.

(2) The Corporation reviewed its characterization of certain derivative contracts associated with short-term borrowings and long-term debt. Based upon this review, December 31, 1993 unrealized gains and losses for other short-term borrowings and unrealized gains for long-term debt have been restated to exclude certain trading derivative contracts previously disclosed as end-user derivatives. This exclusion had no impact on net income.

The unrealized gains and losses on these hedges were determined on the basis of valuation pricing models which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions.

The remaining maturities of the notional amounts of end-user derivatives at December 31, 1994 were as follows:

(in millions) Notional Amount Maturing in:	Interest Rate Risk	Foreign Currency Risk*	Equity Risk	Total Notional Amount
1995	$19,934	$2,341	$146	$22,421
1996-1997	11,153	449	73	11,675
1998-1999	3,437	340	—	3,777
2000 and thereafter	5,843	364	—	6,207
Total	$40,367	$3,494	$219	$44,080

**Currency swaps and currency forwards are primarily based upon Australian dollar / U.S. dollar and Japanese yen / U.S. dollar contracts.*

For pay variable and pay fixed interest rate swaps entered into as an end user, the weighted average receive rate and pay rate (interest rates were based on the weighted averages of both U.S. and non-U.S. currencies) by maturity and corresponding notional amounts at December 31, 1994 were as follows:

	Paying Variable			Paying Fixed			
($ in millions) Notional Amount Maturing In:	Notional Amount	Receive Rate	Pay Rate	Notional Amount	Receive Rate	Pay Rate	Total Notional
1995	$11,211	6.09%	5.88%	$2,908	6.00%	5.90%	$14,119
1996-1997	7,830	5.77	6.03	3,219	5.78	5.92	11,049
1998-1999	2,444	5.83	5.81	993	5.38	5.34	3,437
2000 and thereafter	4,113	5.72	6.79	1,730	8.13	5.83	5,843
Total	$25,598			$8,850			$34,448

All rates were those in effect at December 31, 1994. Variable rates are primarily based on LIBOR and may change significantly, affecting future cash flows.

The remaining maturities of the notional amounts of end-user derivatives at December 31, 1993 were as follows:

(in millions) Notional Amount Maturing in:	Interest Rate Risk	Foreign Currency Risk	Equity Risk	Total Notional Amount
1994	$14,625	$1,720	$ 96	$16,441
1995-1996	12,081	238	122	12,441
1997-1998	4,527	171	22	4,720
1999 and thereafter	5,995	299	—	6,294
Total	$37,228	$2,428	$240	$39,896

For interest rate swaps entered into as an end user, the weighted average receive rate and weighted average pay rate by maturity and corresponding notional amounts at December 31, 1993 were as follows:

($ in millions) Notional Amount Maturing in:	Notional Amount	Receive Rate	Pay Rate
1994	$14,616	7.23%	3.98%
1995-1996	12,081	4.35	4.06
1997-1998	4,527	4.62	3.96
1999 and thereafter	5,995	5.34	4.48
Total	$37,219		

All rates were those in effect at December 31, 1993.

The effect of these end-user derivatives was to increase net interest revenue by $102 million and $192 million, respectively, for the years ended December 31, 1994 and 1993.

The Corporation has reviewed its other categories of off-balance sheet instruments (forward-dated assets and liabilities, securities lending indemnifications and securities borrowed) accounted for at cost and has determined that, in the case of each such category, the unrealized gain or loss on such instruments at both December 31, 1994 and December 31, 1993 was not material.

Methods and Assumptions

For short-term financial instruments, defined as those with remaining maturities of 90 days or less, the carrying amount was considered to be a reasonable estimate of fair value. The following instruments were predominantly short-term:

Assets	Liabilities
Cash and due from banks	Interest-bearing deposits
Interest-bearing deposits with banks	Securities sold under repurchase agreements
Federal funds sold	Other short-term borrowings
Securities purchased under resale agreements	Acceptances outstanding
Securities borrowed	Accounts payable and accrued expenses
Due from customers on acceptances	Other financial liabilities
Accounts receivable and accrued interest	

For those components of the above-listed financial instruments with remaining maturities greater than 90 days, fair value was determined by discounting contractual cash flows using rates which could be earned for assets with similar remaining maturities and, in the case of liabilities, rates at which the liabilities with similar remaining maturities could be issued as of the balance sheet date.

As indicated in Note 1, trading assets (including derivatives), trading liabilities and securities available for sale are carried at their fair values.

The estimated fair values of securities available for sale were generally based on quoted market prices, broker quotes or dealer quotes.

For short-term loans and variable rate loans which reprice within 90 days, the carrying value was considered to be a reasonable estimate of fair value. For those loans for which quoted market prices were available, fair value was based on such prices. For other types of loans, fair value was estimated by discounting future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. In addition, for loans secured by real estate, appraisal values for the collateral were considered in the fair value determination. The fair value estimate of commitments to extend credit and standby letters of credit represented the unrealized gains and losses on those off-balance sheet positions and was generally determined in the same manner as loans.

Other financial assets consisted primarily of investments in equity instruments (excluding, in accordance with SFAS 107, investments accounted for under the equity method), cash and cash margins with broker and net unrealized gains on foreign exchange positions. At December 31, 1993 unrestricted marketable equity securities were reclassified from other financial assets to securities available for sale, reflecting the Corporation's adoption of SFAS 115 as of that date. The fair value of nonmarketable equity instruments was determined by matrix pricing utilizing market prices for comparable publicly traded instruments, adjusted for liquidity and contractual arrangements.

Noninterest-bearing deposits do not have defined maturities. In accordance with SFAS 107, fair value represented the amount payable on demand as of the balance sheet date.

Other financial liabilities consisted primarily of accounts payable and accrued expenses at both December 31, 1994 and 1993.

The fair value of long-term debt was estimated by using market quotes as well as discounting the remaining contractual cash flows using a rate at which the Corporation could issue debt with a similar remaining maturity as of the balance sheet date.

Note 25 — Condensed Parent Company Financial Statements

Condensed Statement of Income

(in millions) Year Ended December 31,	1994	1993	1992
Revenue			
Dividends			
Banks	$ 320	$ 112	$ 215
Nonbanks	264	71	78
Interest from subsidiaries	367	191	214
Other interest	209	119	95
Trading	(81)	4	(1)
Other	—	38	(12)
Total revenue	1,079	535	589
Expenses			
Interest to subsidiaries	40	23	27
Other interest	566	310	325
Other	20	36	68
Total expenses	626	369	420
Income before income taxes and equity in undistributed income of subsidiaries and affiliates	453	166	169
Income taxes	(99)	(13)	(46)
Income before equity in undistributed income of subsidiaries and affiliates	552	179	215
Equity in undistributed income of subsidiaries and affiliates before cumulative effects of accounting changes	63	891	424
Income Before Cumulative Effects of Accounting Changes	615	1,070	639
Equity in cumulative effects of accounting changes of subsidiary	—	(75)	446
Net Income	$ 615	$ 995	$1,085

Condensed Balance Sheet

(in millions) December 31,	1994	1993
Assets		
Cash and due from banks	$ 72	$ 10
Interest-bearing deposits with bank subsidiaries	1,509	662
Securities purchased under resale agreements with nonbank subsidiary	1,104	321
Trading assets	1,579	1,920
Securities available for sale	2,023	652
Loans	21	55
Investments in subsidiaries and affiliates		
Banks	4,453	4,210
Nonbanks	1,017	1,088
Receivables from subsidiaries and affiliates		
Banks	1,512	1,381
Nonbanks	5,672	4,937
Accounts receivable and accrued interest	379	202
Other assets	313	606
Total assets	$19,654	$16,044
Liabilities and Stockholders' Equity		
Trading liabilities	$ 128	$ 170
Commercial paper	6,320	5,664
Other short-term borrowings	3,250	579
Payables to subsidiaries and affiliates		
Banks	126	64
Nonbanks	826	755
Other liabilities	312	347
Long-term debt	3,988	3,931
Total liabilities	14,950	11,510
Total stockholders' equity	4,704	4,534
Total liabilities and stockholders' equity	$19,654	$16,044

Condensed Statement of Cash Flows

(in millions) Year Ended December 31,	1994	1993	1992
Cash Flows From Operating Activities			
Net income	$ 615	$ 995	$ 1,085
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Equity in undistributed income of subsidiaries and affiliates, before cumulative effects of accounting changes	(63)	(891)	(424)
Equity in cumulative effects of accounting changes of subsidiary	—	75	(446)
Deferred income taxes	(59)	42	(7)
Net change in trading assets	342	(1,390)	(52)
Net change in trading liabilities	(42)	168	(79)
Other, net	124	113	(32)
Net cash provided by (used in) operating activities	917	(888)	45
Cash Flows From Investing Activities			
Net change in:			
Interest-bearing deposits with bank subsidiaries	(847)	(140)	983
Securities purchased under resale agreements with nonbank subsidiary	(784)	888	(863)
Short-term notes receivable from subsidiaries and affiliates	745	(361)	705
Securities available for sale:			
Purchases	(2,304)	—	—
Maturities and other redemptions	396	—	—
Sales	501	—	—
Investment securities:			
Purchases	—	(3,309)	(1,753)
Maturities and other redemptions	—	3,427	1,631
Sales	—	47	132
Increases in long-term notes receivable from subsidiaries	(2,133)	(2,322)	(1,002)
Decreases in long-term notes receivable from subsidiaries	640	89	344
Capital contributed to subsidiaries and affiliates	(152)	(7)	(317)
Return of capital from subsidiaries and affiliates	2	—	201
Other, net	—	(8)	(158)
Net cash used in investing activities	(3,936)	(1,696)	(97)
Cash Flows From Financing Activities			
Net change in:			
Commercial paper and other short-term borrowings	3,327	2,073	(192)
Short-term notes payable to subsidiaries	133	156	94
Issuance of long-term debt	421	1,338	978
Repayments of long-term debt	(370)	(205)	(523)
Issuance of preferred stock	342	—	—
Redemption of preferred stock	(205)	(250)	—
Issuance to subsidiary of preferred stock	—	247	—
Redemption from subsidiary of preferred stock	—	(247)	—
Issuances of common stock	—	—	27
Purchases of treasury stock	(267)	(313)	(106)
Cash dividends paid	(322)	(281)	(262)
Other, net	22	74	38
Net cash provided by financing activities	3,081	2,592	54
Net Increase (Decrease) In Cash and Due From Banks	62	8	2
Cash and due from banks, beginning of year	10	2	—
Cash and due from banks, end of year	$ 72	$ 10	$ 2
Interest paid	$ 587	$ 326	$ 337
Income taxes paid	$ 7	$ —	$ —
Noncash financing activity:			
Exchange of series of preferred stock	$ —	$ —	$ 45

Note 26 — Bankers Trust Company Consolidated Summarized Financial Information

Consolidated Statement of Income

(in millions) Year Ended December 31,	1994	1993	1992
Net Interest Revenue			
Interest revenue	$2,900	$2,812	$2,787
Interest expense	2,271	2,072	1,996
Net Interest Revenue	629	740	791
Provision for credit losses	(3)	96	165
Net Interest Revenue After Provision For Credit Losses	632	644	626
Noninterest Revenue			
Trading	786	1,875	1,009
Fiduciary and funds management	698	661	622
Fees and commissions	541	477	426
Securities available for sale gains	13	—	—
Investment securities gains (losses)	—	4	(20)
Other	213	107	112
Total noninterest revenue	2,251	3,124	2,149
Noninterest Expenses			
Salaries	656	570	529
Incentive compensation and employee benefits	563	943	590
Occupancy, net	134	142	141
Furniture and equipment	149	131	123
Other	823	911	686
Total noninterest expenses	2,325	2,697	2,069
Income before income taxes and cumulative effects of accounting changes	558	1,071	706
Income taxes	166	327	196
Income Before Cumulative Effects of Accounting Changes	392	744	510
Cumulative effects of accounting changes	—	(75)	446
Net Income	$ 392	$ 669	$ 956

In the normal course of business, BTCo. enters into various transactions with the Parent Company and the Parent Company's other subsidiaries. Included in the above financial statements were the following transactions and balances with such affiliates.

(in millions) Year Ended December 31,	1994	1993	1992
Interest revenue	$ 97	$ 45	$ 26
Interest expense	185	143	164
Noninterest revenue	62	43	41
Noninterest expenses	289	326	254

(in millions) December 31,	1994	1993
Interest-earning assets	$1,433	$1,387
Noninterest-earning assets	1,348	357
Interest-bearing liabilities	4,566	3,507
Noninterest-bearing liabilities	1,757	304

Consolidated Balance Sheet

($ in millions, except par values) December 31,	1994	1993
Assets		
Cash and due from banks	$ 2,023	$ 1,795
Interest-bearing deposits with banks	3,680	2,182
Federal funds sold	2,544	439
Securities purchased under resale agreements	8,006	6,930
Trading assets	34,364	23,992
Securities available for sale	3,858	5,072
Loans	12,035	13,563
Allowance for credit losses	(1,179)	(1,249)
Premises and equipment, net	872	687
Due from customers on acceptances	378	455
Accounts receivable and accrued interest	438	1,737
Other assets	3,889	2,329
Total assets	$70,908	$57,932
Liabilities		
Deposits		
Noninterest-bearing		
In domestic offices	$ 3,454	$ 3,250
In foreign offices	555	738
Interest-bearing		
In domestic offices	4,837	6,147
In foreign offices	17,590	12,749
Total deposits	26,436	22,884
Trading liabilities	20,461	7,763
Securities sold under repurchase agreements	4,263	4,194
Other short-term borrowings	8,910	12,251
Acceptances outstanding	378	455
Accounts payable and accrued expenses	302	1,944
Other liabilities	2,778	1,921
Long-term debt	3,230	2,590
Total liabilities	66,758	54,002
Stockholder's Equity		
Floating rate non-cumulative preferred stock — Series A, $1 million par value Authorized, issued and outstanding: 250 shares	250	250
Common stock, $10 par value Authorized, issued and outstanding: 85,166,667 shares	852	702
Capital surplus	498	498
Retained earnings	2,875	2,756
Cumulative translation adjustments	(344)	(321)
Securities valuation allowance	19	45
Total stockholder's equity	4,150	3,930
Total liabilities and stockholder's equity	$70,908	$57,932

See Note 9 for details of BTCo.'s long-term debt issued to non-affiliates. Note 2 discusses the effects of the Corporation's adoption of SFAS 115 effective December 31, 1993, SFAS 106 and SFAS 112 effective January 1, 1993 and SFAS 109 effective January 1, 1992. The statement of income effects of adoption presented there were recorded by BTCo.

MANAGEMENT'S REPORT ON RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Bankers Trust New York Corporation and its subsidiaries (the "Corporation") is responsible for preparing the accompanying financial statements. The financial statements were prepared in accordance with generally accepted accounting principles and prevailing industry practices, as applicable to the Corporation. The financial statements include amounts that are based on management's best estimates and judgments. Management also prepared the other information in the Annual Report and is responsible for its accuracy and consistency with the financial statements.

The management of the Corporation has established and maintains an internal control structure and monitors that structure for compliance with established policies and procedures. The objectives of an internal control structure are to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization. The Corporation maintains an Internal Audit Department that independently monitors and assesses the effectiveness of the internal controls and recommends possible improvements thereto. The Corporation also maintains a Credit Policy Department which develops and administers procedures to measure, monitor and control credit risks across all businesses and recommends to management specific measures for portfolio restructuring designed to reduce the risk of loss. In addition, management recognizes its responsibility to foster a strong ethical environment within the Corporation to ensure that its business affairs are conducted with integrity and in accordance with high standards of personal and corporate conduct. This responsibility is characterized and reflected in the Corporation's Rules for Business Conduct, which are distributed to all employees of the Corporation. As part of the monitoring system, the Corporation maintains a Corporate Compliance Department having oversight responsibilities for administering and coordinating the application of these standards of conduct.

The Corporation's Board of Directors appoints an Audit Committee composed solely of outside directors. The function of the Audit Committee is to oversee the accounting, reporting, audit and internal control policies and procedures established by the Corporation's management. The Committee meets regularly with management and the internal, credit and independent auditors. The auditors have free access to the Audit Committee without the presence of management. The Committee reports regularly to the Board of Directors on its activities, and such other matters as it deems necessary.

The Corporation's annual financial statements have been audited by Ernst & Young LLP, independent auditors, whose appointment by the Board of Directors was approved by the stockholders. Management has made available to Ernst & Young LLP all the Corporation's financial records and related data, as well as the minutes of stockholders' and directors' meetings. Furthermore, management believes that all its representations to Ernst & Young LLP are valid and appropriate. In addition, Ernst & Young LLP, in determining the nature and extent of their auditing procedures, evaluated the Corporation's accounting procedures and policies and the effectiveness of the related internal control structure.

Management believes that, as of December 31, 1994, the Corporation's internal control structure was adequate to accomplish the objectives discussed herein.

Charles S. Sanford, Jr.

Charles S. Sanford, Jr.
Chairman of the Board and
Chief Executive Officer

Timothy T. Yates

Timothy T. Yates
Executive Vice President,
Chief Financial Officer and
Controller

March 10, 1995

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
Bankers Trust New York Corporation

We have audited the accompanying consolidated balance sheet of Bankers Trust New York Corporation and Subsidiaries (the "Corporation") at December 31, 1994 and 1993, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 1994. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bankers Trust New York Corporation and Subsidiaries at December 31, 1994 and 1993, and the consolidated results of operations and cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

As discussed in Note 2 to the financial statements, in 1994 the Corporation adopted, during the fourth quarter of 1994, Financial Accounting Standards Board ("FASB") Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements" and as of January 1, 1994, FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts." Also, in 1993 the Corporation adopted, as of December 31, 1993, Statement of Financial Accounting Standards ("SFAS") 115, "Accounting for Certain Investments in Debt and Equity Securities," and as of January 1, 1993, SFAS 106, "Employers' Accounting for Postemployment Benefits Other than Pensions," and SFAS 112, "Employers' Accounting for Postemployment Benefits." In addition, effective January 1, 1992, the Corporation adopted SFAS 109, "Accounting for Income Taxes."

Ernst & Young LLP

New York, New York
January 26, 1995,
except for Note 11, as to which the date is
March 1, 1995

SUPPLEMENTAL FINANCIAL DATA

The statistical data on pages 79 through 83 should be read in conjunction with the Financial Review and the financial statements included elsewhere in this Annual Report.

In the opinion of management, all material adjustments necessary for a fair presentation of the results of operations for the interim periods have been made. All such adjustments were of a normal recurring nature, except for the cumulative effects of accounting changes for postretirement and postemployment benefits (recorded in the first quarter of 1993).

Condensed Quarterly Consolidated Statement of Income

(in millions, except per share data)

	1994				1993			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Interest revenue	$1,357	$1,207	$1,255	$1,211	$1,171	$1,177	$1,067	$1,021
Interest expense	1,128	943	946	841	798	835	768	721
Net interest revenue	229	264	309	370	373	342	299	300
Provision for credit losses	8	17	—	—	23	17	23	30
Net interest revenue after provision for credit losses	221	247	309	370	350	325	276	270
Total noninterest revenue	624	707	637	505	869	929	832	734
Total noninterest expenses	709	713	688	641	816	789	749	681
Income before income taxes and cumulative effects of accounting changes	136	241	258	234	403	465	359	323
Income taxes	35	72	77	70	124	155	108	93
Income before cumulative effects of accounting changes	101	169	181	164	279	310	251	230
Cumulative effects of accounting changes	—	—	—	—	—	—	—	(75)
Net income	$ 101	$ 169	$ 181	$ 164	$ 279	$ 310	$ 251	$ 155
Net income applicable to common stock	$ 95	$ 161	$ 172	$ 159	$ 273	$ 305	$ 246	$ 148
Primary Earnings Per Common Share:								
Income before cumulative effects of accounting changes	$ 1.19	$ 1.98	$ 2.09	$ 1.90	$ 3.26	$ 3.60	$ 2.90	$ 2.64
Cumulative effects of accounting changes	—	—	—	—	—	—	—	(.89)
Net income	$ 1.19	$ 1.98	$ 2.09	$ 1.90	$ 3.26	$ 3.60	$ 2.90	$ 1.75
Fully Diluted Earnings Per Common Share:								
Income before cumulative effects of accounting changes	$ 1.18	$ 1.98	$ 2.09	$ 1.90	$ 3.25	$ 3.60	$ 2.90	$ 2.63
Cumulative effects of accounting changes	—	—	—	—	—	—	—	(.88)
Net income	$ 1.18	$ 1.98	$ 2.09	$ 1.90	$ 3.25	$ 3.60	$ 2.90	$ 1.75
Cash dividends declared per common share	$ 1.00	$ .90	$ .90	$ .90	$ .90	$ .78	$ .78	$ .78

Stockholder Data

Market price (1)								
High	$ 67 5/8	$ 74	$ 74	$ 84 5/8	$ 83	$ 83 1/2	$ 78	$ 74 1/4
Low	54 3/4	63 1/2	64 1/2	69 1/8	74	73 3/4	67 1/2	65 3/4
End of quarter	55 3/8	66 3/4	66 5/8	71	79 1/8	80	74 1/8	71 1/2

(1) Based on the Composite Tape. Market prices at January 31, 1995 for common stock were as follows: High, $62 7/8; Low, $62 1/4; Close, $62 5/8.

Dividends

Cash dividends on common stock were paid quarterly in 1994 on the 25th of January, April, July and October.

Number of Security Holders

At January 31, 1995, the approximate number of holders of record of common stock was 21,973.

Stock Listings

The principal markets on which the common stock is traded are the New York Stock Exchange (Symbol: BT) and the London Stock Exchange.

Average Balances, Interest and Average Rates

The following table shows the major consolidated assets and liabilities, together with their respective interest amounts and rates earned or paid by the Corporation. Cash basis and renegotiated loans are included in the averages to determine an effective yield on all loans. The average balances are principally daily averages.

	1994			1993			1992		
($ in millions)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Assets									
Interest-bearing deposits with banks (primarily in foreign offices)	$ 1,523	$ 124	8.14%	$ 2,698	$ 214	7.93%	$ 3,211	$ 287	8.94%
Federal funds sold (in domestic offices)	634	31	4.89%	708	22	3.11%	714	27	3.78%
Securities purchased under resale agreements (primarily in domestic offices)	13,260	468	3.53%	9,969	381	3.82%	15,020	624	4.15%
Securities borrowed (in domestic offices)	5,018	211	4.20%	4,216	127	3.01%	—	—	—
Trading assets									
In domestic offices (1)	20,739	1,911	9.21%	20,810	1,414	6.79%	13,060	901	6.90%
In foreign offices	15,787	1,054	6.68%	16,490	1,033	6.26%	11,115	798	7.18%
Total trading assets (1)	36,526	2,965	8.12%	37,300	2,447	6.56%	24,175	1,699	7.03%
Securities available for sale									
In domestic offices									
Taxable	2,043	134	6.56%	—	—	—	—	—	—
Exempt from federal income taxes (1)	1,374	75	5.46%	—	—	—	—	—	—
In foreign offices									
Taxable	3,042	178	5.85%	—	—	—	—	—	—
Exempt from federal income taxes (1)	410	49	11.95%	—	—	—	—	—	—
Total securities available for sale (1)	6,869	436	6.35%	—	—	—	—	—	—
Investment securities									
In domestic offices									
Taxable	—	—	—	2,644	129	4.88%	2,236	167	7.47%
Exempt from federal income taxes (1)	—	—	—	598	59	9.87%	418	40	9.57%
In foreign offices									
Taxable	—	—	—	2,959	200	6.76%	3,381	298	8.81%
Exempt from federal income taxes (1)	—	—	—	396	50	12.63%	412	46	11.17%
Total investment securities (1)	—	—	—	6,597	438	6.64%	6,447	551	8.55%
Loans									
In domestic offices									
Commercial and industrial	2,123	141	6.64%	3,065	157	5.12%	3,739	224	5.99%
Financial institutions	920	49	5.33%	1,635	81	4.95%	2,743	122	4.45%
Secured by real estate	1,503	82	5.46%	1,787	89	4.98%	1,913	98	5.12%
Other(1)	2,311	147	6.36%	2,986	121	4.05%	1,555	84	5.40%
Total in domestic offices (1)	6,857	419	6.11%	9,473	448	4.73%	9,950	528	5.31%
In foreign offices	5,613	444	7.91%	5,837	430	7.37%	6,812	540	7.93%
Total loans, excluding fees (1)	12,470	863	6.92%	15,310	878	5.73%	16,762	1,068	6.37%
Loan fees		15			11			15	
Total loans, including fees (1)	12,470	878	7.04%	15,310	889	5.81%	16,762	1,083	6.46%
Total Interest-Earning Assets (1)	76,300	$5,113	6.70%	76,798	$4,518	5.88%	66,329	$4,271	6.44%
Cash and due from banks	1,912			1,767			1,508		
Noninterest-earning trading assets	19,992			2,377			3,121		
Due from customers on acceptances	348			372			218		
All other assets	7,618			5,844			5,243		
Allowance for credit losses	(1,342)			(1,535)			(1,725)		
Total Assets	$104,828			$85,623			$74,694		
% of assets attributable to foreign offices	51%			45%			43%		

The average balance sheets are presented on a different basis than the spot balance sheets, in that the various categories of interest-earning assets and interest-bearing liabilities exclude certain noninterest-earning/bearing components included in the spot balance sheet captions. These components, excluding noninterest-earning/bearing trading assets/liabilities, are included in "all other assets" and "all other liabilities" in the average balance sheets.

(1) Interest and average rates are presented on a fully taxable basis. The applicable combined federal, state and local incremental tax rates used to determine the amounts of the tax equivalent adjustments to interest revenue (which recognize the income tax savings on tax-exempt assets) were 42 percent for both 1994 and 1993 and 41 percent for 1992.

($ in millions)	1994 Average Balance	1994 Interest	1994 Average Rate	1993 Average Balance	1993 Interest	1993 Average Rate	1992 Average Balance	1992 Interest	1992 Average Rate
Liabilities and Stockholders' Equity									
Interest-bearing deposits									
In domestic offices									
Time deposits	$ 700	$ 50	7.14%	$ 2,425	$ 115	4.74%	$ 2,952	$ 174	5.89%
Other	5,519	218	3.95%	5,835	103	1.77%	4,060	107	2.64%
Total in domestic offices	6,219	268	4.31%	8,260	218	2.64%	7,012	281	4.01%
In foreign offices									
Deposits from banks in foreign countries	5,248	296	5.64%	5,937	398	6.70%	4,772	356	7.46%
Other time and savings deposits	6,027	345	5.72%	6,259	319	5.10%	6,277	386	6.15%
Other	1,221	55	4.50%	1,405	78	5.55%	1,333	96	7.20%
Total in foreign offices	12,496	696	5.57%	13,601	795	5.85%	12,382	838	6.77%
Total interest-bearing deposits	18,715	964	5.15%	21,861	1,013	4.63%	19,394	1,119	5.77%
Trading liabilities									
In domestic offices	4,453	486	10.91%	3,947	250	6.33%	3,789	203	5.36%
In foreign offices	5,682	321	5.65%	2,522	174	6.90%	1,335	98	7.34%
Total trading liabilities	10,135	807	7.96%	6,469	424	6.55%	5,124	301	5.87%
Securities sold under repurchase agreements									
In domestic offices	20,009	797	3.98%	21,748	675	3.10%	18,200	684	3.76%
In foreign offices	1,805	120	6.65%	2,024	190	9.39%	2,041	132	6.47%
Total securities sold under repurchase agreements	21,814	917	4.20%	23,772	865	3.64%	20,241	816	4.03%
Other short-term borrowings									
In domestic offices	12,768	582	4.56%	8,506	330	3.88%	7,323	339	4.63%
In foreign offices	4,488	312	6.95%	4,211	276	6.55%	3,708	286	7.71%
Total other short-term borrowings	17,256	894	5.18%	12,717	606	4.77%	11,031	625	5.67%
Long-term debt									
In domestic offices	4,985	243	4.87%	4,425	185	4.18%	3,536	190	5.37%
In foreign offices	843	33	3.91%	432	29	6.71%	237	21	8.86%
Total long-term debt	5,828	276	4.74%	4,857	214	4.41%	3,773	211	5.59%
Total Interest-Bearing Liabilities	73,748	$3,858	5.23%	69,676	$3,122	4.48%	59,563	$3,072	5.16%
Noninterest-bearing deposits									
In domestic offices	3,210			3,315			3,402		
In foreign offices	587			539			618		
Total noninterest-bearing deposits	3,797			3,854			4,020		
Noninterest-bearing trading liabilities	15,680			1,542			1,763		
Acceptances outstanding	363			387			226		
All other liabilities	6,247			5,725			5,056		
Preferred stock of subsidiary	250			236			—		
Stockholders' Equity									
Preferred stock	388			302			500		
Common stockholders' equity	4,355			3,901			3,566		
Total Liabilities and Stockholders' Equity	$104,828			$85,623			$74,694		
% of liabilities attributable to foreign offices	42%			38%			42%		
Rate spread			1.47%			1.40%			1.28%
Net interest margin (net interest revenue to total interest-earning assets)									
In domestic offices	$ 45,722	$ 728	1.59%	$46,227	$ 862	1.86%	$40,133	$ 695	1.73%
In foreign offices	30,578	527	1.72%	30,571	534	1.75%	26,196	504	1.92%
Total	$ 76,300	$1,255	1.64%	$76,798	$1,396	1.82%	$66,329	$1,199	1.81%

Volume/Rate Analysis of Changes in Net Interest Revenue

The following table attributes changes in fully taxable net interest revenue to changes in either average daily balances or average rates for both interest-earning assets and interest-bearing sources of funds. Because of the numerous simultaneous balance and rate changes during any period, it is not possible to precisely allocate such changes between balances and rates. For purposes of this table, changes which are not due solely to balance or rate changes are allocated to such categories based on the respective percentage changes in average daily balances and average rates.

	1994/93			1993/92		
	Increase (decrease) due to change in:			Increase (decrease) due to change in:		
(in millions)	Average Balance	Average Rate	Total	Average Balance	Average Rate	Total
Consolidated						
INTEREST REVENUE						
Interest-bearing deposits with banks	$ (96)	$ 6	$ (90)	$ (43)	$ (30)	$ (73)
Federal funds sold	(3)	12	9	—	(5)	(5)
Securities purchased under resale agreements	118	(31)	87	(196)	(47)	(243)
Securities borrowed	27	57	84	63	64	127
Trading assets	(52)	570	518	869	(121)	748
Securities available for sale	218	218	436	—	—	—
Investment securities	(219)	(219)	(438)	13	(126)	(113)
Loans	(181)	170	(11)	(88)	(106)	(194)
Total interest revenue	(188)	783	595	618	(371)	247
INTEREST EXPENSE						
Interest-bearing deposits	(155)	106	(49)	130	(236)	(106)
Trading liabilities	278	105	383	85	38	123
Securities sold under repurchase agreements	(75)	127	52	133	(84)	49
Other short-term borrowings	231	57	288	86	(105)	(19)
Long-term debt	45	17	62	54	(51)	3
Total interest expense	324	412	736	488	(438)	50
Net change in net interest revenue	$(512)	$ 371	$(141)	$ 130	$ 67	$ 197
Domestic Offices						
INTEREST REVENUE						
Interest-bearing deposits with banks	$ (8)	$ 13	$ 5	$ (3)	$ 14	$ 11
Federal funds sold	(3)	12	9	—	(5)	(5)
Securities purchased under resale agreements	40	5	45	(198)	(92)	(290)
Securities borrowed	27	57	84	63	64	127
Trading assets	(5)	502	497	527	(14)	513
Securities available for sale	104	105	209	—	—	—
Investment securities	(94)	(94)	(188)	39	(58)	(19)
Loans	(144)	120	(24)	(25)	(55)	(80)
Total interest revenue	(83)	720	637	403	(146)	257
INTEREST EXPENSE						
Interest-bearing deposits	(63)	113	50	44	(107)	(63)
Trading liabilities	36	200	236	9	38	47
Securities sold under repurchase agreements	(57)	179	122	121	(130)	(9)
Other short-term borrowings	187	65	252	50	(59)	(9)
Long-term debt	25	33	58	42	(47)	(5)
Funds provided to foreign offices	227	(276)	(49)	54	51	105
Funds provided by foreign offices	(95)	216	121	(15)	(9)	(24)
Total interest expense	260	530	790	305	(263)	42
Net change in net interest revenue	$(343)	$ 190	$(153)	$ 98	$ 117	$ 215
Foreign Offices						
INTEREST REVENUE						
Interest-bearing deposits with banks	$ (79)	$ (16)	$ (95)	$ (40)	$ (44)	$ (84)
Securities purchased under resale agreements	97	(55)	42	56	(9)	47
Trading assets	(45)	66	21	339	(104)	235
Securities available for sale	113	114	227	—	—	—
Investment securities	(125)	(125)	(250)	(37)	(57)	(94)
Loans	(17)	30	13	(74)	(40)	(114)
Total interest revenue	(56)	14	(42)	244	(254)	(10)
INTEREST EXPENSE						
Interest-bearing deposits	(63)	(36)	(99)	78	(121)	(43)
Trading liabilities	184	(37)	147	82	(6)	76
Securities sold under repurchase agreements	(19)	(51)	(70)	(1)	59	58
Other short-term borrowings	19	17	36	36	(46)	(10)
Long-term debt	20	(16)	4	14	(6)	8
Funds provided by domestic offices	(227)	276	49	(54)	(51)	(105)
Funds provided to domestic offices	95	(216)	(121)	15	9	24
Total interest expense	9	(63)	(54)	170	(162)	8
Net change in net interest revenue	$ (65)	$ 77	$ 12	$ 74	$ (92)	$ (18)

Interest Rate Sensitivity

Interest rate sensitivity data for the Corporation at December 31, 1994 is presented in the table below. For purposes of this presentation, the interest-earning/bearing components of trading assets and trading liabilities are assumed to reprice within three months.

The interest rate gaps reported in the table arise when assets are funded with liabilities having different repricing intervals, after considering the effect of off-balance sheet hedging instruments. Since these gaps are actively managed and change daily as adjustments are made in interest rate views and market outlook, positions at the end of any period may not be reflective of the Corporation's interest rate view in subsequent periods. Active management dictates that longer-term economic views are balanced against prospects of short-term interest rate changes in all repricing intervals.

(in millions) December 31, 1994	By Repricing Interval						
	Within three months	After three months but within six months	After six months but within one year	After one year but within five years	After five years	Non-interest-bearing funds	Total
Assets							
Interest-bearing deposits with banks	$ 3,305	$ 27	$ 58	$ —	$ —	$ —	$ 3,390
Federal funds sold	2,544	—	—	—	—	—	2,544
Securities purchased under resale agreements	9,869	74	—	—	—	—	9,943
Securities borrowed	6,197	—	—	—	—	—	6,197
Trading assets	29,174	—	—	—	—	18,340	47,514
Securities available for sale	2,805	527	708	1,434	2,001	—	7,475
Loans	9,424	1,371	183	892	631	—	12,501
Noninterest-earning assets and allowance for credit losses	—	—	—	—	—	7,452	7,452
Total	63,318	1,999	949	2,326	2,632	25,792	97,016
Liabilities, Preferred Stock of Subsidiary and Stockholders' Equity							
Interest-bearing deposits	16,067	3,094	1,142	740	70	—	21,113
Trading liabilities	7,040	—	—	—	—	13,909	20,949
Securities sold under repurchase agreements	15,457	160	—	—	—	—	15,617
Other short-term borrowings	14,931	2,195	761	219	116	—	18,222
Long-term debt	1,432	280	291	2,802	1,650	—	6,455
Preferred stock of subsidiary	250	—	—	—	—	—	250
Preferred stock	—	—	—	395	—	—	395
Noninterest-bearing liabilities and common stockholders' equity	—	—	—	—	—	14,015	14,015
Total	55,177	5,729	2,194	4,156	1,836	27,924	97,016
Effect of off-balance sheet hedging instruments	(8,734)	2,056	2,056	3,311	1,311	—	—
Interest Rate Sensitivity Gap	$ (593)	$(1,674)	$ 811	$1,481	$2,107	$(2,132)	$ —
Cumulative Interest Rate Sensitivity Gap	$ (593)	$(2,267)	$(1,456)	$ 25	$2,132	$ —	$ —

Deposits

The Corporation's certificates of deposit and other time deposits issued by domestic and foreign offices in amounts of $100,000 or more, together with their remaining maturities, and other interest-bearing deposits at December 31, 1994 were as follows:

(in millions)	Domestic	Foreign	Total
Certificates of deposit of $100,000 or more			
3 months or less	$ 18	$ 779	$ 797
Over 3 through 6 months	—	986	986
Over 6 through 12 months	199	164	363
Over 12 months	435	223	658
Total	652	2,152	2,804
Other time deposits of $100,000 or more			
3 months or less	43	8,923	8,966
Over 3 through 6 months	53	1,593	1,646
Over 6 through 12 months	1	613	614
Over 12 months	1	68	69
Total	98	11,197	11,295
Other	5,019	1,995	7,014
Total interest-bearing deposits	$5,769	$15,344	$21,113

Deposits by foreign depositors in domestic offices amounted to $1.0 billion, $1.1 billion and $.9 billion at December 31, 1994, 1993 and 1992, respectively.

Bankers Trust New York Corporation

Bankers Trust New York Corporation (the "Parent Company" and, together with its subsidiaries, the "Corporation", or the "Firm") is a registered bank holding company which was incorporated in 1965. The Parent Company, which accounted for 4 percent of consolidated assets at December 31, 1994, supplies Bankers Trust Company, BT Securities Corporation and its other subsidiaries with various advisory services and coordinates their general policies and activities.

The Parent Company is a legal entity separate and distinct from its subsidiaries. The rights of the Parent Company to participate in any distribution of assets of any subsidiary upon its liquidation or reorganization or otherwise are subject to the prior claims of creditors of that subsidiary, except to the extent that the Parent Company may itself be a creditor of that subsidiary and its claims are recognized. Claims on the Parent Company's subsidiaries by creditors other than the Parent Company include long-term debt and substantial obligations with respect to deposit liabilities, trading liabilities, commercial paper, securities sold under repurchase agreements and federal funds purchased, as well as various other liabilities.

Organizational Units

The Corporation concentrates its financial and managerial resources on selected markets and services its clients by meeting their needs for financing, advisory, processing and sophisticated risk management solutions. The Firm also conducts its own proprietary operations. The Corporation currently organizes its personnel into the following organizational units.

The *Global Investment Bank* delivers the Firm's full range of financing, and risk management product and advisory capabilities to its corporate, financial institution and investor clients in developed countries. These include the underwriting, distribution and trading of public equity and debt (both investment grade and high-yield); private placements; structured finance; asset finance; interest rate, currency, equity, commodity and credit derivative products, as well as merger and acquisition advisory services and a variety of other advisory services that assist clients in the management of strategic risk.

Global Emerging Markets provides many of the same products and services to clients in Asia, Latin America, the Middle East and Africa. Prominent among these are financial advisory services to governments and both state-owned and privatized businesses. This group also sells, trades and distributes restructured loans, bonds, equities and other instruments of Latin American and other emerging markets issuers.

Global Investment Management is responsible for most of the Firm's investment management business for pension funds, corporations and other institutional investors worldwide. The services they provide include both the active and passive management of equities, fixed income securities and other financial instruments, including currencies and derivatives, in many of the world's major financial markets.

The Corporation's *Global Markets Proprietary* businesses are comprised of Global Trading and the Global Portfolio Group. The Global Trading group manages the risk assumed in helping clients manage their risk and enters into securities, derivatives, currency, commodity and funding transactions on a proprietary basis. The Global Portfolio Group is responsible for: the funding of the Corporation worldwide; capital and liquidity management; the management of the Corporation's securities available for sale portfolio; and the intermediate and longer-term proprietary trading of liquid securities, foreign exchange and derivative products.

Global Assets is engaged in the gathering, moving and managing of assets for both institutional and individual clients throughout the world. Global Institutional Services delivers many of the Corporation's processing, fiduciary and trust services, such as cash management, custody and clearance and deposit and credit services, to corporations, financial institutions and governments and their agencies around the world. It also provides to sponsors of U.S. defined benefit and defined contribution plans the Corporation's full range of services, including recordkeeping and administrative services and portfolio measurement. The Individual Services Group, through its Private Bank, and Mutual Fund and Brokerage Services units, provides wealthy individuals, foundations, private companies and individual investors with a wide range of Global Assets' services.

Other businesses include real estate finance and principal investing.

Insurance Activities

The Corporation has two majority-owned Chilean subsidiaries, known as Consorcio and Compensa. Consorcio underwrites pension-related life and disability insurance, and both companies sell pension-related life annuities.

Business Functions

Because of the close interrelationship among its organizational units, the Corporation breaks down and analyzes its business on the basis of five business functions, which represent the Firm's core business activities. A business function is often common to two or more of the organizational units described above. Descriptions of each of the Firm's five business functions appear on page 15.

Bankers Trust Company

The Parent Company's principal banking subsidiary is Bankers Trust Company, which, along with its subsidiaries ("BTCo."), accounted for 69 percent of the Corporation's consolidated assets at December 31, 1994. BTCo., founded in 1903, is among the largest commercial banks in New York City and the United States, based on total assets. BTCo. originates loans and other forms of credit, accepts deposits, arranges financings and provides numerous other commercial banking and financial services. BTCo. provides a broad range of financial advisory services to its clients. It also engages in the trading of currencies, securities, derivatives and commodities.

BT Securities Corporation

BT Securities Corporation ("BT Securities"), a wholly-owned subsidiary of the Parent Company, accounted for 19 percent of the Corporation's consolidated assets at December 31, 1994. BT Securities is a primary dealer in U.S. Government securities. It also structures, underwrites and deals in money market instruments, commercial paper, and municipal, asset-backed and corporate debt and equity securities. BT Securities also provides advisory and private placement services and structures a broad range of derivative transactions for clients.

Bankers Trust (Delaware)

Bankers Trust (Delaware) is a state bank chartered under the laws of Delaware, which, along with its subsidiaries, accounted for 2 percent of the Corporation's consolidated assets at December 31, 1994. Bankers Trust (Delaware) engages in commercial banking activities, with an emphasis on lending, funding and corporate finance. BT Commercial Corporation, its wholly-owned subsidiary, is a commercial finance company.

Supervision and Regulation

BT Securities has entered into a settlement agreement with the Securities and Exchange Commission (the "SEC") and the Commodity Futures Trading Commission (the "CFTC") concerning all investigations of the Corporation and its subsidiaries by those agencies with respect to the conduct of its business in privately negotiated over-the-counter derivatives (the "Derivatives"). As part of that settlement entered into on December 22, 1994, the SEC and the CFTC agreed not to pursue further Bankers Trust related entities concerning Derivatives matters prior to the settlement date (although they did reserve the right to pursue individuals), and BT Securities paid $10 million in civil penalties and has agreed to retain an independent consultant to examine its conduct of the Derivatives business and to implement such consultant's recommendations.

The Corporation, BTCo. and BT Securities have also entered into a Written Agreement with the Federal Reserve Bank of New York and a Memorandum of Understanding with the New York State Banking Department concerning the Corporation's leveraged derivative transaction business, each of which call for an independent counsel review and the establishment of a Compliance Committee of the Board of Directors of the Corporation to monitor compliance with the Written Agreement and the Memorandum of Understanding.

The Corporation cannot predict the effect on the derivative business in general, or the Corporation's derivative business in particular, of these events or of the current legislative, regulatory and media attention being given to the derivatives industry.

Details with respect to the foregoing are set forth in the Corporation's Current Reports on Form 8-K dated December 4, 1994, December 22, 1994 and January 19, 1995 which have been filed with the SEC.

The Parent Company is a bank holding company within the meaning of the Bank Holding Company Act of 1956, and as such is required to register with the Federal Reserve Board. As a registered bank holding company, the Parent Company is required to file with the Federal Reserve Board certain reports and information and is restricted in its acquisitions, certain of which are subject to approval by the Federal Reserve Board. In addition, the Parent Company would be required to obtain the approval of the New York State Banking Department in order for it to acquire certain bank and nonbank subsidiaries.

The Parent Company and its nonbank subsidiaries are affiliates of BTCo. and Bankers Trust (Delaware) within the meaning of applicable federal statutes, and such banks are therefore subject to restrictions on loans and other extensions of credit to the Parent Company and certain other affiliates and on certain other types of transactions with them or involving their securities.

BTCo. is subject to the supervision of, and to examination by, the New York State Banking Department, the Federal Reserve Board and the Federal Deposit Insurance Corporation. Bankers Trust (Delaware) is subject to regulation by the Office of the State Bank Commissioner of the State of Delaware and by the Federal Deposit Insurance Corporation. See Note 14 of Notes to Financial Statements for the required reserve balances maintained by the Corporation's subsidiary banks at a Federal Reserve Bank and limitations on the availability of BTCo.'s undistributed earnings for the payment of dividends.

BT Securities is registered as a broker-dealer in all 50 states, the District of Columbia and Puerto Rico and with the SEC, and is a member of the National Association of Securities Dealers, Inc. and is therefore subject to supervision by those regulators. As a bank securities affiliate, BT Securities is subject to the supervision of the Federal Reserve Board, which has imposed limitations on the gross revenue from certain activities of such affiliates and certain other conditions governing their operations.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") provides for cross-guarantees of the liabilities of insured depository institutions pursuant to which any bank or savings association subsidiary of a

holding company may be required to reimburse the FDIC for any loss or anticipated loss to the FDIC that arises from a default of any of such holding company's other subsidiary banks or savings associations or assistance provided to such an institution in danger of default.

In December 1991, the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") was enacted. FDICIA substantially revised the bank regulatory and funding provisions of the Federal Deposit Insurance Act and revised several other federal banking statutes.

FDICIA establishes five capital tiers, ranging from "well capitalized," to "critically undercapitalized." A depository institution is well capitalized if it significantly exceeds the minimum level required by regulation for each relevant capital measure. Under FDICIA, an institution that is not well capitalized is generally prohibited from accepting brokered deposits and offering interest rates on deposits higher than the prevailing rate in its market; in addition, "pass through" insurance coverage may not be available for certain employee benefit accounts. FDICIA also requires an undercapitalized depository institution to submit an acceptable capital restoration plan to the appropriate federal bank regulatory agency. One requisite element of such a plan is that the institution's parent holding company must guarantee compliance by the institution with the plan, subject to certain limitations. In the event of the parent holding company's bankruptcy, the guarantee, and any other commitments that the parent holding company has made to federal bank regulators to maintain the capital of its depository institution subsidiaries, would be assumed by the bankruptcy trustee and entitled to priority in payment.

Based on their respective regulatory capital ratios at December 31, 1994, both BTCo. and Bankers Trust (Delaware) are well capitalized, based on the definitions in the regulations issued by the Federal Reserve Board and the other federal bank regulatory agencies setting forth the general capital requirements mandated by FDICIA. See "Capital Resources" on page 31 for information regarding the Corporation's and BTCo.'s regulatory capital ratios.

FDICIA contains numerous other provisions, including new reporting requirements, termination of the "too big to fail" doctrine except for special cases, limitations on the FDIC's payment of deposits at foreign branches and revised regulatory standards for, among other things, real estate lending and capital adequacy.

A federal depositor preference statute was enacted in 1993 providing that deposits and certain claims for administrative expenses and employee compensation against an insured depository institution would be afforded a priority over other general claims against such an institution, including federal funds and letters of credit, in the "liquidation or other resolution" of such an institution by any receiver.

In addition to banking and securities laws, regulations and regulatory agencies governing the Corporation worldwide, the Corporation also is subject to various other laws, regulations and regulatory agencies throughout the United States and in other countries. Furthermore, various proposals, bills and regulations have been and are being considered in the United States Congress, the New York State Legislature and various other governmental regulatory and legislative bodies, which could result in changes in the profitability and governance of the Corporation. It cannot be predicted whether new legislation or regulations will be adopted and, if so, how they would affect the Corporation.

References under the caption "Supervision and Regulation" to applicable statutes, regulations and orders are brief summaries of portions thereof which do not purport to be complete and which are qualified in their entirety by reference thereto.

Competition and Other Market Factors

The banking and securities businesses are intensely competitive and the Corporation competes for business with other financial services organizations, including major commercial and investment banks and finance and investment advisory companies, located in principal cities throughout the world.

The business of a large financial services organization such as the Corporation is influenced by prevailing economic conditions and governmental policies, both foreign and domestic.
The actions and policy directives of the Federal Reserve Board determine to a significant degree the cost and the availability of funds obtained from money market sources for lending and investing. Federal Reserve Board policies and regulations also influence, directly and indirectly, the rates of interest paid by commercial banks on their time and savings deposits. The nature and impact on the Corporation of future changes in economic conditions and monetary and fiscal policies, both foreign and domestic, are not predictable. Additionally, the Corporation's international operations, which are widely diversified geographically and vary from country to country, include certain economic and political risks which differ from those associated with its domestic operations. These risks include the possibility of expropriation of assets, exchange rate fluctuations, restrictions on the withdrawal of funds and balance-of-payments problems.

Properties

BTCo. owns a 42-story office building located at 280 Park Avenue, a 10-story office building at 4 Albany Street in Manhattan, and a 998-year leasehold interest in an eight-story office building in the Broadgate complex in London, England. The other principal office premises leased are a 39-story building known as One Bankers Trust Plaza, seven stories of a 37-story building at 14-16 Wall Street, (both in Manhattan), an eight-story building in Jersey City, New Jersey and a three-story

building in Nashville, Tennessee and a significant portion of a 42-story office building in Sydney, Australia. Portions of certain of these properties are leased to tenants or subtenants. BTCo. has exercised its purchase option on One Bankers Trust Plaza for a closing in January 1996. The anticipated purchase price for this property does not represent a material commitment for BTCo. In addition to the offices referred to above, branch offices and locations for other activities are occupied in cities throughout the world under various types of ownership and leaseholds. See Note 7 of Notes to Financial Statements for additional information concerning lease commitments.

Legal Proceedings

Various actions and proceedings involving the Parent Company and various of its subsidiaries are currently pending. Management, after discussions with counsel, does not anticipate that losses, if any, resulting from these actions and proceedings would be material.

Executive Officers of the Registrant

Set forth below are the names and ages of the executive officers of the Parent Company, positions held and the year from which held. These officers are elected annually by the Board of Directors. There are no family relationships among such persons.

* **Charles S. Sanford, Jr.**, 58
Chairman of the Board
Chairman of the Board of the Parent Company and of BTCo. since 1987 and Director since 1982; Deputy Chairman 1986-1987; President of the Parent Company and of BTCo. 1983-1986; Executive Vice President in charge of the Resources Management Department of BTCo. 1974-1983.

James J. Baechle, 62
Executive Vice President and General Counsel
Executive Vice President of the Parent Company since 1980; Managing Director of BTCo. since June 1992; Executive Vice President of BTCo. 1979-1992; General Counsel of the Parent Company and/or BTCo. since 1971.

Joseph A. Manganello, Jr., 59
Executive Vice President and Chief Credit Officer
Executive Vice President and Chief Credit Officer of the Parent Company since 1988; Managing Director of BTCo. since June 1992 and Chief Credit Officer since 1984; Executive Vice President of BTCo. 1982-1992; Department Head of the United States Department of BTCo. prior to 1984. He is in charge of the Credit Policy Department.

* **Eugene B. Shanks, Jr.**, 48
President
President and Director of the Parent Company and BTCo. since January 1992; Executive Vice President of the Parent Company 1987-1992 and Managing Director of BTCo. 1986-1992; in charge of the Technology Department, Strategic Planning Department and the London operation of the Resources Management Department prior to 1986. He is in charge of the Global Markets Proprietary, Global Assets and Global Investment Management businesses and, with Mr. Vojta, manages the Global Investment Bank.

* **George J. Vojta**, 59
Vice Chairman
Vice Chairman and Director of the Parent Company and BTCo. since January 1992; Executive Vice President of the Parent Company and BTCo. 1984-1992. He is in charge of the Global Emerging Markets, Real Estate Finance and Principal Investing businesses and, with Mr. Shanks, manages the Global Investment Bank.

Timothy T. Yates, 47
Executive Vice President, Chief Financial Officer and Controller
Executive Vice President and Chief Financial Officer of the Parent Company and Managing Director and Chief Financial Officer of BTCo. since 1991; Controller since 1993; Managing Director of BTCo. and Chief of Staff of Global Markets 1989-1991; Managing Director of BTCo. and later, BT Securities Corporation in charge of High Yield/Structured Sales 1985-1989.

*Management Committee

United States Securities and Exchange Commission Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 1994**

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number **1-5920**

Bankers Trust New York Corporation
(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of incorporation or organization)

13-6180473
(I.R.S. employer identification no.)

280 Park Avenue
New York, NY
(Address of principal executive offices)

10017
(Zip code)

(212) 250-2500
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1 par value	**New York Stock Exchange**
Preferred Share Purchase Rights	**New York Stock Exchange**
8.55% Cumulative Preferred Stock, Series I ($250 Liquidation Preference)	**New York Stock Exchange**
Depositary Shares representing a one-fourth interest in a share of 8.55% Cumulative Preferred Stock, Series I ($100 Liquidation Preference)	**New York Stock Exchange**
Depositary Shares representing a one-tenth interest in a share of 7 5/8% Cumulative Preferred Stock, Series O ($250 Liquidation Preference)	**American Stock Exchange**
7.50% Convertible Capital Securities Due 2033	**American Stock Exchange**
Depositary Shares representing a one-fortieth interest in a share of 7.50% Cumulative Preferred Stock, Series P ($1,000 Liquidation Preference)	**American Stock Exchange**
Adjustable Rate Cumulative Preferred Stock, Series Q	**New York Stock Exchange**
Depositary Shares representing a one-hundredth interest in a share of Adjustable Rate Cumulative Preferred Stock, Series Q ($2,500 Liquidation Preference)	**New York Stock Exchange**
Adjustable Rate Cumulative Preferred Stock, Series R	**New York Stock Exchange**
Depositary Shares representing a one-hundredth interest in a share of Adjustable Rate Cumulative Preferred Stock, Series R ($2,500 Liquidation Preference)	**New York Stock Exchange**

Securities Registered Pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of January 31, 1995: Common Stock, $1 par value, $4,857,482,448.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of January 31, 1995: Common Stock, $1 par value, 78,363,334 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 1995 Annual Meeting of Stockholders are incorporated by reference into Part III.

Form 10-K Cross-Reference Index

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Part III

The information required by Items 10 through 13 in this part is omitted pursuant to Instruction G of Form 10-K since the Corporation intends to file with the Commission a definitive Proxy Statement, pursuant to Regulation 14A, not later than 120 days after December 31, 1994.

Part IV

14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) (1) Financial Statements - See Item 8.

(2) Financial Statement Schedules

All schedules normally required by Form 10-K are omitted since they are either not applicable or the required information is shown in the financial statements or the notes thereto.

Item No.	Pages
(3) Exhibits	
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(ii) Long-Term Debt Indentures	***
10. Material Contracts	
(ii) (D) Leases for Principal Premises described on page 86	**
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21. Subsidiaries of the Registrant	**
23. Consent of Experts	**
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99. Additional Exhibits	
(i) Preferred Share Purchase Rights	**
(ii) Written Agreement dated December 4, 1994 among Bankers Trust New York Corporation, Bankers Trust Company, BT Securities Corporation and the Federal Reserve Bank of New York.	**
(iii) BT Securities offers of settlement to the Securities and Exchange Commission (the "SEC") and the Commodity Futures Trading Commission (the "CFTC"), the SEC's Order Instituting Proceedings and its Findings and Order and the CFTC's Complaint and its Opinion and Order.	**

(b) Reports on Form 8-K - The Corporation filed two reports on Form 8-K during the quarter ended December 31, 1994.

— The report dated December 4, 1994 filed a Written Agreement by and among Bankers Trust New York Corporation, Bankers Trust Company, BT Securities Corporation and the Federal Reserve Bank of New York regarding Bankers Trust New York Corporation's leveraged derivative transaction business and a press release regarding these matters.

— The report dated December 22, 1994 filed BT Securities offers of settlement to the SEC and the CFTC, the SEC's Order Instituting Proceedings, the CFTC's Complaint and Opinion and Order and a press release regarding these matters.

**Not applicable.*

***A copy of any exhibit not contained herein may be obtained by writing to James T. Byrne, Jr., Office of the Secretary, Bankers Trust New York Corporation, 280 Park Avenue-Mail Stop 1175, New York, NY 10017.*

****The Corporation hereby agrees to furnish to the Commission, upon request, a copy of any instruments defining the rights of holders of long-term debt issued by the Parent Company or its subsidiaries.*

This report on Form 10-K has not been approved or disapproved by the Securities and Exchange Commission nor has the Commission passed upon the accuracy or adequacy of this report. Portions of the 1994 Annual Report to the Corporation's stockholders are not required by the Form 10-K report and are not "filed" as part of the Form 10-K. Only those sections of the Annual Report referenced in the above index are incorporated in the Form 10-K.

Form 10-K Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 10, 1995.

Bankers Trust New York Corporation

By JAMES T. BYRNE, JR.
(James T. Byrne, Jr., Senior Vice President and Secretary)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 10, 1995.

CHARLES S. SANFORD, JR.* (Charles S. Sanford, Jr.)	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)
TIMOTHY T. YATES* (Timothy T. Yates)	Executive Vice President, Chief Financial Officer and Controller (Principal Financial Officer)
GEOFFREY M. FLETCHER* (Geoffrey M. Fletcher)	Senior Vice President (Principal Accounting Officer)
GEORGE B. BEITZEL* (George B. Beitzel)	Director
PHILLIP A. GRIFFITHS* (Phillip A. Griffiths)	Director
WILLIAM R. HOWELL* (William R. Howell)	Director
JON M. HUNTSMAN* (Jon M. Huntsman)	Director
VERNON E. JORDAN, JR.* (Vernon E. Jordan, Jr.)	Director
HAMISH MAXWELL* (Hamish Maxwell)	Director
DONALD F. McCULLOUGH* (Donald F. McCullough)	Director
N. J. NICHOLAS JR.* (N. J. Nicholas Jr.)	Director
RUSSELL E. PALMER* (Russell E. Palmer)	Director
DIDIER PINEAU-VALENCIENNE* (Didier Pineau-Valencienne)	Director
EUGENE B. SHANKS, JR.* (Eugene B. Shanks, Jr.)	President and Director
PATRICIA CARRY STEWART* (Patricia Carry Stewart)	Director
GEORGE J. VOJTA* (George J. Vojta)	Vice Chairman and Director

*By JAMES T. BYRNE, JR.
(James T. Byrne, Jr., Attorney-in-Fact)

Board of Directors

Worldwide Offices

New York
Bankers Trust New York Corporation
Bankers Trust Company
Bankers Trust Company New York Limited
BT Brokerage Corporation
BT Capital Partners Inc.
BT Commercial Corporation
BT Equipment Leasing, Inc.
BT Financial Services Information Systems Corporation
BT Futures Corporation
BT Investment Partners, Inc.
BT Realty Resources Inc.
BT Securities Corporation

Beverly Hills
Bankers Trust Company of California, N.A.

Boston
BT Securities Corporation

Chicago
Bankers Trust Company
BT Commercial Corporation
BT Futures Corporation
BT Securities Corporation

Greenwich, Connecticut
Bankers Trust Company Connecticut Ltd.

Houston
Bankers Trust Company of the Southwest
BT Equipment Leasing, Inc.
BT Securities Corporation

Irvine
Bankers Trust Company of California, N.A.

Jersey City
Bankers Trust Company New Jersey Limited

Los Angeles
Bankers Trust Company
Bankers Trust Company of California, N.A.
BT Commercial Corporation
BT Securities Corporation

Miami
Bankers Trust International Private Banking Corporation

Nashville
BT Services Tennessee, Inc.

Portland, Oregon
BT Securities Corporation

Totowa, New Jersey
Global Processing Alliance Inc. (50% - owned)

West Palm Beach
Bankers Trust Company of Florida, N.A.

Wilmington
Bankers Trust (Delaware)

Canada
*BT Bank of Canada
*BT Canada Securities Inc.

Europe
Channel Islands
*BT Reinsurance Limited
*BT Trustees (Jersey) Limited
*Global Risk, Ltd.

France
*Bankers Trust (France) S.A.
*BT Finance et Marches S.A.
*BT Opera Trading, S.A.
*Didier Philippe S.A.

Germany
*BT Effecten GmbH

Hungary
*Bankers Trust RT

Ireland
*BT Fund Managers (Ireland) Limited
*BT Trustee Company (Ireland) Limited

Italy
*Bankers Trust Finanziaria S.p.A.

Luxembourg
*Bankers Trust Luxembourg S.A.

Poland
American Bank in Poland

Spain
*BT Sociedad de Valores, S.A.

Switzerland
*Bankers Trust AG

United Kingdom
*Bankers Trust International PLC
*Bankers Trust Investment Management Limited
*Bankers Trustee Co. Ltd.
*BT Futures Corporation (branch)
*BT Gilts Ltd.
*BT Securities Corporation (branch)
*The WM Company PLC

Latin America/Caribbean
Argentina
*Bankers Trust Argentina S.A.
*Bankers Trust S.A., Agente del Mercado Abierto

Brazil
Banco de Investimento Planibanc S.A.

Cayman Islands
*Bankers Trust (Cayman) International Ltd.

Chile
*Bankers Trust Corredores de Bolsa Ltda.
*Bankers Trust Inversiones Limitada
Compania de Pensiones
Compania de Seguros de Vida S.A.
Consorcio Nacional de Seguros S.A.

Colombia
Consultrust Ltda.

Netherlands Antilles
*BT Overseas Finance N.V.

Puerto Rico
Bankers Trust Caribe Capital Markets, Inc.
*BT Securities Corporation (branch)

Venezuela
*Inversiones Bankers Trust, C.A.
*Valores Bankers Trust, C.A.

Asia/Pacific
Australia
*Bankers Trust Australia Limited
*Bankers Trust Life Limited
*BT Australia Limited

Hong Kong
*BT Asia Limited
BT Asia Securities Limited
*BT (Far East) Limited
*BT Fund Managers Limited
TISCO Securities Hong Kong Limited

Indonesia
P.T. BT Prima Securities

Japan
*Bankers Trust International PLC (Tokyo representative office)
BT Asia Securities Limited (Tokyo branch)
*BT Investment Advisory Co. (Japan) Ltd.
*Japan Bankers Trust Company, Ltd.

New Zealand
*Bankers Trust New Zealand
*BT New Zealand, Ltd.

Philippines
*BT Brokerage (Philippines) Inc.
*BT Financial Services Corporation

Singapore
*Bankers Trust International (Asia) Ltd.
*BT Futures (Singapore) Ltd.

South Korea
*Bankers Trust International PLC (branch)

Taiwan
*BT Futures Corporation (branch)
*Bankers Trust International PLC (representative office)

Thailand
Thai Investment and Securities Public Company Limited (TISCO)

Middle East/Africa
Nigeria
United Bank for Africa Ltd.

Turkey
*Turk Merchant Bank A.S.

Bankers Trust Company Branches
Bangkok International Banking Facility
Channel Islands
Hong Kong
London
Madrid
Manila
Milan
Nassau
Paris
Seoul
Singapore
Taipei
Tokyo

Bankers Trust Company Representative Offices
Europe
Frankfurt
Prague

Latin America
Bogota
Buenos Aires
Caracas
Mexico City
Santiago
Sao Paulo

Asia/Pacific
Beijing
Bombay
Colombo
Jakarta

Middle East/Africa
Bahrain
Cairo
Istanbul
Lagos

**Wholly-owned*

Corporate Staff Officers

Robert J. Almeida
General Auditor

James T. Byrne, Jr.
Secretary

Geoffrey M. Fletcher
Principal Accounting Officer

James G. O'Brien
General Tax Counsel

Edwin R. Rapp, Jr.
Chief Compliance Officer

Raymond D. Smith, Jr.
General Credit Auditor

Garret G. Thunen
Treasurer

Dividend Reinvestment Plan

Owners of Bankers Trust New York Corporation common stock may use their dividends to purchase additional shares.

The plan also provides for the absorption by the Corporation of all operating costs, including stock purchase fees. Under the plan, stockholders have the option to make cash payments of up to $5,000 per month to purchase common stock. Records of share ownership are maintained by Harris Trust Company of New York, the Plan Administrator, with periodic reports to stockholders.

Stockholders, as well as brokers and custodians who hold stock for clients, may receive a plan prospectus and enrollment card by writing to the Harris Trust Company of New York, c/o Harris Trust and Savings Bank, Dividend Reinvestment Department, P.O. Box A 3309, Chicago, IL 60690-3309.

Supplemental Quarterly Information

Both the SEC Form 10-Q and quarterly financial data supplements are available during the year to provide detailed information on quarterly financial results. These reports, as well as additional financial information about the Corporation, including copies of the year-end Call Reports of subsidiary banks for the two most recent years, may be obtained by contacting the Investor Relations Office, Bankers Trust New York Corporation, 280 Park Avenue - Mail Stop 1322, New York, NY 10017 (212-454-1120).

Transfer Agent and Registrar

Common Stock and Fixed/Adjustable Rate Cumulative Preferred Stock, Series J, Series Q and Series R
Harris Trust Company of New York
311 West Monroe Street
Chicago, IL 60690
(800) 547-9794

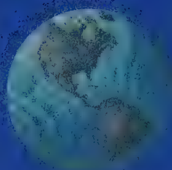
Annual Meeting

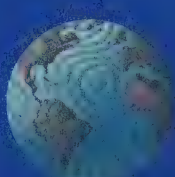
The Annual Meeting of Stockholders will be held at 3 p.m. on Tuesday, April 18, 1995, at One Bankers Trust Plaza, 130 Liberty Street, New York City.

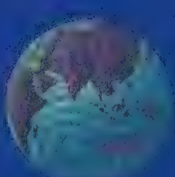
Design: BT Design
Illustration: Mary GrandPré
Photography: Cheryl Rossum
Printing: L.P. Thebault Company
Printed on recycled paper

Bankers Trust
New York Corporation

280 Park Avenue
New York, NY 10017







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Bankers Trust New York Corporation

CHARLES S. SANFORD, JR., CHAIRMAN OF THE BOARD

March 15, 1994

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders to be held at 3:00 P.M. on Tuesday, April 19, 1994 at One Bankers Trust Plaza (130 Liberty Street), New York, New York.

We are asking you to vote for the election of directors, for the ratification of the appointment of the independent auditor, the approval of the 1994 Stock Option and Stock Award Plan and the approval of the Incentive Bonus Plan for Corporate Officers, as described in the Attached Notice of Meeting and Proxy Statement.

These matters, together with two stockholder proposals that may be brought before the meeting, are more fully described in the accompanying Proxy Statement. For the reasons set forth in the Proxy Statement, your Board of Directors and Management recommend a vote FOR items 1, 2, 3 and 4, and AGAINST items 5 and 6 as set forth on the enclosed proxy card.

It is important that your shares be represented at the meeting, whether or not you are able to attend personally. Accordingly, I urge you to sign and date the enclosed proxy card and return it in the enclosed envelope as promptly as possible.

Thank you for your interest in the Corporation's affairs.

Sincerely,

Charles S. Sanford Jr.

Bankers Trust New York Corporation

Notice of Annual Meeting of Stockholders
April 19, 1994

The Annual Meeting of the Stockholders of Bankers Trust New York Corporation (a New York corporation) will be held at One Bankers Trust Plaza (130 Liberty Street), New York, New York, on Tuesday, April 19, 1994 at 3:00 P.M., for the following purposes:

1. to elect directors;
2. to ratify the appointment of Ernst & Young as the independent auditor for 1994;
3. to approve the 1994 Stock Option and Stock Award Plan;
4. to approve the Incentive Bonus Plan for Corporate Officers; and
5. to consider and act upon two stockholder proposals, if introduced at the meeting, as described in the attached Proxy Statement;

and to transact such other business as may properly come before the meeting or adjournments thereof.

The Board of Directors has fixed the close of business on February 28, 1994 as the time as of which stockholders of record of Bankers Trust New York Corporation who are entitled to notice of and to vote at such meeting shall be determined.

By Order of the Board of Directors

JAMES T. BYRNE, JR.
Secretary

280 Park Avenue
New York, New York 10017
March 15, 1994

YOUR VOTE IS IMPORTANT

We encourage you to complete, date, sign and promptly return your proxy card in the enclosed envelope, regardless of whether you plan to attend the meeting.

Proxy Statement

This statement is submitted in connection with the solicitation of proxies by and on behalf of the Board of Directors and Management of Bankers Trust New York Corporation (the "Corporation"), 280 Park Avenue, New York, New York 10017, for the Annual Meeting of Stockholders on April 19, 1994, or adjournments thereof (the "Annual Meeting"). There were outstanding at the close of business on the record date, February 28, 1994, 80,183,804 shares of the common stock of the Corporation (the "Common Stock") entitled to vote at this meeting, each share being entitled to one vote. Only stockholders whose names appear of record on the books of the Corporation at that time will be entitled to vote at the Annual Meeting. The presence, in person or by proxy, of the holders of a majority of the shares entitled to vote constitutes a quorum for the Annual Meeting. This Proxy Statement and the enclosed proxy card were mailed commencing on or about March 15, 1994.

If a stockholder is a participant in the Corporation's Dividend Reinvestment and Common Stock Purchase Plan, the proxy card sent to such participant will represent both the number of shares registered in the participant's name and the number of shares (excluding fractional shares) credited to the participant's Dividend Reinvestment Plan account, and all such shares will be voted in accordance with the instructions on the proxy card.

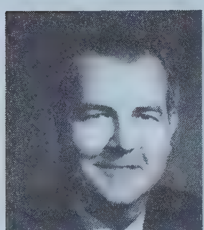
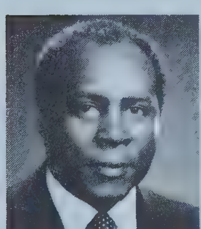
Proxies marked as abstaining will be treated as present for purposes of determining a quorum for the Annual Meeting, but will not be counted as voting in respect of any matter as to which abstinence is indicated. Proxies returned by brokers as "non-votes" on behalf of shares held in street name because beneficial owners' discretion has been withheld as to one or more matters on the agenda for the Annual Meeting will not be treated as present for purposes of determining a quorum for the Annual Meeting unless they are voted by the broker on at least one matter on the agenda; such shares will not be counted as to the matters for which a non-vote is indicated on the broker's proxy.

PART I. Election of Directors

The directors of the Corporation are elected annually to serve until the next Annual Meeting of Stockholders and until their respective successors have been elected and duly qualified. It is intended that the shares represented by the enclosed proxy will be voted for each of the nominees listed herein unless authority to vote for the election of directors is withheld. In the event that any of such nominees unexpectedly shall be unable to serve as a director, it is intended that the enclosed proxy will be voted for such person or persons as shall be nominated by the Board's Committee on Directors.

Edward A. Lesser, Vice Chairman of the Board of the Corporation and Bankers Trust Company, who has served as a director of both organizations since 1982, retired as an officer of the Corporation and Bankers Trust Company on December 31, 1993 and, under the provisions of the By-Laws of the Corporation, is therefore ineligible for reelection.

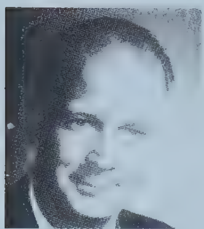
Following are the nominees, all of whom are currently directors of the Corporation and were elected to their present terms of office at the 1993 Annual Meeting of Stockholders. Information concerning each such nominee, showing the year when first elected as a director, the age, principal occupation and principal affiliations, is as follows:

Nominees and Year Each Became a Director	*Principal Occupation and Other Information*
 George B. Beitzel 1977	**Retired Senior Vice President and Director, International Business Machines Corporation.** Director of Bankers Trust Company. Also a director of Computer Task Group, Inc., FlightSafety International, Inc., Phillips Gas Company, Phillips Petroleum Company, Roadway Services, Inc., Rohm and Haas Company, TIG Holdings and Harvard Business School Board of Associates, trustee emeritus of Amherst College, and a trustee of the Colonial Williamsburg Foundation and the Eisenhower Exchange Fellowships. Age 65.
 William R. Howell 1986	**Chairman of the Board and Chief Executive Officer, J.C. Penney Company, Inc.** Director of Bankers Trust Company. Also a director of Exxon Corporation, Halliburton Company, Warner-Lambert Company and the National Urban League, Inc., and a member of the National Retail Federation. Age 58.
 Jon M. Huntsman 1991	**Chairman and Chief Executive Officer, Huntsman Chemical Corporation.** Director of Bankers Trust Company. Also a director of Campbell Soup, president of Restar Corporation, chairman of Huntsman Corporation, Huntsman Holdings Corporation, Constar Corporation and Petrostar Corporation, general partner of Huntsman Group Ltd., McLeod Creek Partnership and Trustar Ltd., and chairman of Primary Children's Medical Center Foundation, a trustee, the University of Pennsylvania, an overseer, The Wharton School, University of Pennsylvania, vice chairman and director of the American Plastics Council, a director of Chemical Manufacturer's Association, and a director and president of the Jon and Karen Huntsman Foundation. Age 56.
 Vernon E. Jordan, Jr. 1972	**Senior Partner, Akin, Gump, Strauss, Hauer & Feld, LLP, Attorneys-at-law, Washington, D.C. and Dallas, Texas.** Director of Bankers Trust Company. Former President of the National Urban League, Inc. Also a director of American Express Company, Corning Incorporated, Dow-Jones, Inc., J.C. Penney Company, Inc., Revlon Group Incorporated, RJR Nabisco Inc., Ryder System, Inc., Sara Lee Corporation, Union Carbide Corporation and Xerox Corporation, a trustee of Brookings Institution and The Ford Foundation, and chairman of The National Academy Foundation. Age 58.

Nominees and Year Each Became a Director	*Principal Occupation and Other Information*

Hamish Maxwell
1984

Chairman of the Executive Committee, Philip Morris Companies Inc. Director of Bankers Trust Company. Former chairman and chief executive officer of Philip Morris Companies Inc. Also a director of The News Corporation Limited. Age 67.

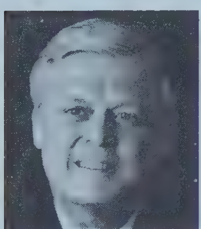


Donald F. McCullough
1971

Chairman Emeritus, Collins & Aikman Corporation. Director of Bankers Trust Company. Also a director of Massachusetts Mutual Life Insurance Co. and Melville Corporation, chairman of the board of The Taft School and director of Boys & Girls Club of America. Age 68.

N.J. Nicholas Jr.
1989

Private Investor. Director of Bankers Trust Company. Former co-chief executive officer of Time Warner Inc. Also a director of Xerox Corporation. Age 54.



Russell E. Palmer
1988

Chairman and Chief Executive Officer, The Palmer Group. Director of Bankers Trust Company. Former Dean of The Wharton School, University of Pennsylvania and former chief executive officer of Touche Ross & Co. (now Deloitte & Touche). Also a director of Allied-Signal Inc., Contel Cellular, Inc., Federal Home Loan Mortgage Corporation, The Goodyear Tire & Rubber Company, GTE Corporation, Imasco Limited, The May Department Stores Company and Safeguard Scientifics, Inc., and member, advisory board of the Controller General of the United States, and a trustee, the University of Pennsylvania. Age 59.

Didier Pineau-Valencienne
1992

Chairman and Chief Executive Officer, Schneider S.A. Director of Bankers Trust Company and member of its European Advisory Board. Also director of AXA (France) and Equitable Life Assurance Society of America, Banque Paribas (France), Cofibel (Belgique), Compagnie Industrielle de Paris (France), SIAPAP, Schneider USA, Sema Group PLC (Great Britain), Spie-Batignolles and Whirlpool Corporation. Age 62.

Nominees and Year Each Became a Director	*Principal Occupation and Other Information*
 Charles S. Sanford, Jr. 1982	**Chairman of the Board of the Corporation and Bankers Trust Company.** Director of Bankers Trust Company. Also a director of J.C. Penney Company, Inc. and Mobil Corporation, an overseer, The Wharton School, University of Pennsylvania, and member of The Business Roundtable and The Business Council. Age 57.
 Eugene B. Shanks, Jr. 1992	**President of the Corporation and Bankers Trust Company.** Director of Bankers Trust Company. Trustee of Vanderbilt University and co-chairman of New York City Public/Private Advisory Group on Mathematics Education. Age 47.
 Patricia Carry Stewart 1977	**Former Vice President, The Edna McConnell Clark Foundation (a charitable foundation).** Director of Bankers Trust Company. Also a director of Borden, Inc., Continental Corporation, Melville Corporation, and Community Foundation for Palm Beach and Martin Counties, and a trustee and vice chair of Cornell University. Age 65.
 George J. Vojta 1992	**Vice Chairman of the Corporation and Bankers Trust Company.** Director of Bankers Trust Company. Also a director of Northwest Airlines, Private Export Funding Corp. and the New York State Banking Board, and a partner, New York City Partnership. Age 58.

Security Ownership of Directors and Management

Title of Class	*Name of Beneficial Owner*	*Amount and Nature of Beneficial Ownership*[1,2]	*Percent of Class*[3]
Common Stock	Beitzel, George B.	4,700 (D)	
		6,000 (I) (As Trustee)	
		2,891 (D) (DRIP)	
Common Stock	Howell, William R.	1,700 (D)	
Common Stock	Huntsman, Jon M.	5,800 (D)	
Common Stock	Jordan, Vernon E. Jr.	3,302 (D)	
		1,827 (D) (DRIP)	
Common Stock	Maxwell, Hamish	2,100 (D)	
		1,239 (D) (DRIP)	
Common Stock	McCullough, Donald F.	4,750 (D)	
		324 (D) (DRIP)	
Common Stock	Nicholas, N.J. Jr.	1,500 (D)	
Common Stock	Palmer, Russell E.	2,000 (D)	
Common Stock	Pineau-Valencienne, D.	696 (D)	
		32 (D) (DRIP)	
Common Stock	Sanford, Charles S. Jr.	324,345 (D)[4,5]	
		671 (I) (ESOP)	
Common Stock	Shanks, Eugene B. Jr.	291,884 (D)[4,5]	
		3,412 (I) (EBP)	
		218 (I) (ESOP)	
Common Stock	Stewart, Patricia C.	4,300 (D)	
Common Stock	Vojta, George J.	229,639 (D)[4,5]	
		36 (I) (ESOP)	
Common Stock	Yates, Timothy T.	82,783 (D)[4,5]	
		515 (I) (ESOP)	
Common Stock	Directors and Executive Officers as a group	1,365,953 (D)[6]	1.65%
		6,000 (I) (As Trustee)	
		6,313 (D) (DRIP)	
		2,750 (I) (ESOP)	
		14,220 (I) (EBP)	

[1]Ownership as of January 31, 1994. Shares of common stock have been rounded to the nearest full share.

[2]As denoted next to share amounts: (D) represents shares directly held; (I) represents shares indirectly held; (DRIP) represents shares held in the Corporation's Dividend Reinvestment and Common Stock Purchase Plan; (ESOP) represents shares held in the Corporation's Employee Stock Ownership Plan; and (EBP) represents shares held in the Corporation's Qualified Employee Benefit Plans.

[3]Based on January 31, 1994 outstanding securities of 80,681,460 and exercisable options of 3,867,034, the number of shares of the Corporation's common stock owned by any member of Management constitutes less than 1% of the total outstandings of the class.

[4]Includes options exercisable within 60 days for each of the named Executive Officers, as follows: Sanford—134,155; Shanks—179,648; Vojta—137,939; and Yates—51,000.

[5]Does not include vested (non-forfeitable) shares which are mandatorily deferred for 5 years under the Partnership Equity Plan, a component of the 1991 Stock Option and Stock Award Plan, for each of the named Executive Officers, as follows: Sanford—83,296; Shanks—68,940; Vojta—50,545; and Yates—36,189.

[6]Includes 724,047 options exercisable within 60 days and does not include 302,150 vested shares under the Partnership Equity Plan.

Security Ownership of Certain Beneficial Owners
(as of December 31, 1993)

(1) Title of Class	(2) Name and Address of Beneficial Owner	(3) Amount and Nature of Beneficial Ownership	(4) Percent of Class
Common Stock	The Capital Group, Inc. 333 South Hope Street Los Angeles, CA 90071	6,686,100[(a)]	8.19%
Common Stock	Wellington Management Company[(b)] 75 State Street Boston, MA 02109		
	Vanguard/Windsor Fund, Inc. P.O. Box 2600 Valley Forge, PA 19482	5,652,119[(c)]	6.92%
	Other	624,122	0.77%

(a) Sole investment power with respect to all of said shares and sole voting power with respect to 444,100 of such shares.

(b) No sole investment or voting power. Shared investment power with respect to all of said shares and shared voting power with respect to 830 of such shares.

(c) Shared investment power with respect to all of said shares and sole voting power with respect to all of said shares.

Each of the 13G Schedules filed with respect to the above beneficial owners discloses that the shares were acquired in the ordinary course of business, were not acquired for the purpose of, and do not have the effect of, changing or influencing the control of the Corporation, and were not acquired in connection with or as a participant in any transaction having such purpose or effect.

Interest of Directors and Executive Officers and their Associates in Transactions with the Corporation

Some of the Corporation's directors and executive officers and their associates, including affiliates and related interests, are customers of the Corporation and/or subsidiaries of the Corporation and some of the Corporation's directors and executive officers and their associates, including affiliates and related interests, are directors or officers of, or investors in, corporations or members of partnerships or have an interest in other entities which are customers of the Corporation and/or such subsidiaries. As such customers, they have had transactions in the ordinary course of business with the Corporation and/or such subsidiaries, including borrowings, all of which were on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than normal risk of collectibility.

During 1993, the law firm of Akin, Gump, Strauss, Hauer & Feld, LLP, of which Vernon E. Jordan, Jr. is a senior partner, performed legal services for a subsidiary of the Corporation, for which that firm was paid its usual and customary fees, and is expected to perform services for a subsidiary in 1994. Hamish Maxwell is a director of a small business investment company subsidiary of the Corporation and, in accordance with policy, non-officer directors of that subsidiary are permitted to purchase participations in loans and investments of that subsidiary. During 1993, Mr. Maxwell purchased participation interests totalling $117,037 in transactions in which the subsidiary's aggregate investments were approximately $26.4 million.

Extension of Directors and Officers Liability Insurance Policy

The Directors and Officers Liability Insurance Policy, which the Corporation has maintained since June 1, 1972, was extended as of June 1, 1993. This policy will reimburse the Corporation and/or any of its subsidiaries for certain payments they may be required to make in indemnifying their directors and officers, and covers directors and officers against certain liabilities and expenses for which they may not or cannot be indemnified by the Corporation. The policy also includes coverage for directors or officers who serve as directors of a non-subsidiary corporation at the request of the Corporation. The policy is written by National Union Fire Insurance Company of Pittsburgh and other independent insurance companies at an annual premium of $2,586,432. No sums were paid by the insurers under this policy in 1993.

Committees of the Board of Directors

The Corporation and Bankers Trust Company (the "Bank"), its principal subsidiary, each maintains the Board Committees listed below. Also listed are the current members of each such Committee and the number of times each Committee met during 1993:

Executive Committee (also functions as Dividend Committee)
Charles S. Sanford, Jr., Chairman
George B. Beitzel
William R. Howell
Vernon E. Jordan, Jr.
Hamish Maxwell
Russell E. Palmer
Eugene B. Shanks, Jr.
2 meetings

Human Resources Committee
William R. Howell, Chairman
Jon M. Huntsman
Vernon E. Jordan, Jr.
Hamish Maxwell
Patricia C. Stewart
6 Meetings

Audit Committee
George B. Beitzel, Chairman
N.J. Nicholas Jr.
Russell E. Palmer
Didier Pineau-Valencienne
6 meetings

Committee on Controls (Sub-Committee of Audit)
Russell E. Palmer, Chairman
Hamish Maxwell
Donald F. McCullough
Patricia C. Stewart
(established 12/93)

Committee on Directors
Hamish Maxwell, Chairman
George B. Beitzel
Jon M. Huntsman
N.J. Nicholas Jr.
Didier Pineau-Valencienne
4 meetings

Committee on Public Responsibility and Concern
Vernon E. Jordan, Jr., Chairman
Donald F. McCullough
N.J. Nicholas Jr.
Eugene B. Shanks, Jr.
Patricia C. Stewart
4 meetings

The Executive Committee has the authority to act for the Board of Directors, except when the Board is in session and subject to certain statutory limitations on its authority. The Committee also considers and acts on matters which do not require full Board consideration and approval and, upon the request of Management, it considers some matters on a preliminary basis before their submission for full Board consideration or approval. This committee also serves as the Dividend Committee, in which capacity its sole function is to declare and set aside dividends during the periods between Board meetings.

The Human Resources Committee is comprised entirely of independent outside directors. The function of the Committee is to review and evaluate, in comparison with the Corporation's competitors, the Corporation's performance and the executives' compensation and benefits and their share ownership. The Committee is updated periodically with information provided to the Corporation by independent compensation and benefit consultants and is responsible for approving and monitoring those policies which support corporate strategic objectives and govern both annual and long term compensation programs. Key aspects of this process require the Committee to compare the Corporation's pay practices to its missions and long term goals and assess ways in which compensation incentives enhance the value of the Corporation for its stockholders.

The Audit Committee is comprised entirely of independent outside directors. The function of the Committee is to oversee the accounting, reporting and audit practices established by Management. The Committee meets regularly with Management and the internal, credit and independent auditors (the "Auditors"). The Auditors have free access to the Committee without the presence of Management. The Committee reports regularly to the Board of Directors on its activities and such other matters as it deems necessary.

The newly established Committee on Controls is comprised entirely of independent outside directors and is a sub-committee of the Audit Committee. The Committee on Controls is responsible for monitoring the effectiveness and quality of the Corporation's standards and control systems, and has unrestricted access to corporate records, facilities and personnel in the conduct of its business and the Auditors have free access to the Committee without the presence of Management. The Committee reports to the Board of Directors through the Audit Committee.

The Committee on Directors is comprised entirely of independent outside directors. The Committee is responsible for nominating directors and reviewing the effectiveness and procedures of the Board, the Board Committees and corporate governance. The Committee also has the responsibility to make recommendations regarding these issues to the Board. The Committee will consider a nominee recommended by a stockholder by a written notification to it, not later than 90 days in advance of the Annual Meeting of Stockholders in care of the Secretary of the Corporation, of the name of such person with appropriate biographical data and that person's written consent to submission of his or her name to the Committee for its consideration.

The function of the Committee on Public Responsibility and Concern is to review policy and audit the performance of the Corporation in the discharge of its social responsibilities, which include, but are not limited to, the Corporation's Equal Opportunity and Vendor Outreach programs, community reinvestment activities, contributions program and its political action committee.

In addition to the Committee meetings shown above, there were 10 regularly scheduled meetings of the Board of Directors during 1993. Director attendance at Board meetings averaged 86% during the year and aggregate attendance at Committee meetings averaged 89%. Aggregate Board and Committee meeting attendance for Messrs. Jordan, McCullough and Pineau-Valencienne was below 75%.

Compensation of Non-Officer Directors

Each outside director receives an annual retainer, which in 1993 amounted to $51,869, comprised of cash and a valuation of 400 shares of Common Stock received in that year. Each such director is also paid a fee of $1,000 for each Board meeting and Executive Committee meeting he or she attends. Each such director who is a member of the Human Resources Committee, the Committee on Public Responsibility and Concern or the Committee on Directors receives a fee of $1,000 for each Committee meeting he or she attends and the Chairman of each of those committees receives an additional annual fee of $3,000. The Chairman of the Audit Committee receives an annual fee of $15,000 and its other members receive an annual fee of $7,500. Its members do not receive meeting fees. The Chairman of the Committee on Controls receives an annual fee of $10,000 and its other members receive an annual fee of $5,000. Its members do not receive meeting fees. Directors may elect to defer receipt of all or a portion of their directors' fees in cash or in Common Stock equivalents until they leave the Board, at which time a cash only payment would be made in a lump sum or in annual installments over a period not to exceed 10 years. Until paid, deferred fees earn additional compensation at the same rate as the yield on one-year Treasury Bills, adjusted on a quarterly basis or, if deferred for Common Stock equivalents, dividend equivalents are credited on the share equivalents and are treated as investments in additional share equivalents or fractional share equivalents. Upon retirement, a director who has served at least 10 years as a non-officer director receives an annual payment of $20,000 for life. If service is less than 10 years, but more than five years, the benefit is prorated. Upon a Change of Control of the Corporation (as defined on page 3 of Appendix A), all deferred fees would be paid immediately to these directors.

1994 HUMAN RESOURCES COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Human Resources Committee of the Board of Directors (the "Committee") is comprised entirely of outside directors, none of whom is a former or current officer or employee of Bankers Trust New York Corporation or its subsidiaries (for purposes of this report, the "Corporation"). Following directly after this report is a discussion of other relationships between these Board members and the Corporation, entitled "Compensation Committee Interlocks and Insider Participation."

The Committee reviews and approves compensation and benefit plans and policies applicable to senior officers of the Corporation. The Committee determines compensation packages for the Chief Executive Officer and other executive officers of the Corporation, and submits such compensation packages to the Board for ratification.

During 1993, the Committee met six times to review and evaluate executive compensation and benefit programs, including information periodically provided to the Corporation by independent compensation and benefit consultants.

Compensation Policies

The Committee's executive compensation policies are designed (a) to attract and retain the best individuals available in each area of global financial services in which the Corporation competes for profits, (b) to motivate and reward such individuals based on corporate, business unit and individual performance, and (c) to align executives' and stockholders' interests through equity-based incentives. In implementing its policies, the Committee evaluates the Corporation's performance usually over a 3 to 5 year period rather than considering a single year when external economic and business conditions may produce results unrelated to management performance. Executive officer pay, including that of the Chief Executive Officer, is determined and administered by the Committee on the basis of total compensation rather than as separate free-standing components.

The determination of each executive officer's total compensation package begins with the Committee evaluating the Corporation's annual and long term performance compared to a total of nine investment banks and commercial banks (listed on page 15) which are regarded as a peer group of the Corporation (the "Peer Group"). A key determinant of overall levels of compensation is the pay practices of the Peer Group. The Corporation's pay practices have placed compensation paid to its executive officers in the 50th to 75th percentile within the Peer Group. As part of this process, the Committee considers quantitative as well as qualitative factors without assigning uniform relative weights to them. The Corporation's performance relative to the Peer Group is reviewed using the following factors: level, quality, consistency and growth of earnings, the return on equity, and the total stockholder return. The Committee also considers prevailing economic conditions and business opportunities available to firms in the financial services industry.

In arriving at total compensation levels, the Committee evaluates each individual's contribution to the overall performance of the Corporation. In addition, the Committee takes into account such factors as leadership and technical skills, teamwork, recruiting and other management contributions to the Corporation.

The Committee exercises its judgment in setting an appropriate amount of current cash to equity within each individual's compensation package. The amount of cash to equity for the executive officer group as a whole has been approximately 40:60 for the last several years. This means that of each dollar of total compensation earned by the group, approximately sixty cents is paid in the form of equity in the Corporation; the balance is paid in cash. This approach reflects the Corporation's commitment to significant management stock ownership in its drive for higher stockholder values over the long term.

In its deliberations, the Committee also recognizes that the Corporation's long term success is dependent on its key resource—highly talented individuals whom it must attract and retain in an extremely competitive environment.

The Committee recommended and the Board approved the continuation of the Corporation's performance-based executive compensation programs with modifications which were intended to allow the Corporation a tax deduction for the compensation costs of its Chief Executive Officer and the Corporation's other four most highly compensated executive officers in excess of $1 million annually under the 1993 amendments to the Internal Revenue Code. These compensation programs are submitted for stockholder approval elsewhere in this proxy statement.

It is the Committee's policy to maximize the effectiveness, as well as the tax-efficiency, of the Corporation's executive compensation programs. With regard to future executive compensation actions, the Committee's policy is to maintain flexibility to take actions which it deems to be in the best interests of the Corporation and its stockholders but which may not qualify for tax deductibility under Section 162(m) or other Sections of the Internal Revenue Code.

Compensation Components

Salary has represented in the past approximately 10% to 15% of executive officers' total compensation. Although reviewed annually for appropriateness in the Committee's judgment, salary levels are not ordinarily adjusted each year. Salary levels for the named Executive Officers are determined by the Committee on the basis of what, in its discretion, it deems to be appropriate pay for the responsibilities involved. The differences in the salary amounts shown for each named Executive Officer over the period shown in the Summary Compensation Table reflect salary increases effected in February of 1992. These increases were applicable to the last 11 months' pay periods for that year and were carried over for all of 1993.

Partnership Equity Plan Awards are a type of grant made under Section 7 of the Corporation's 1991 Stock Option and Stock Award Plan (Deferred Stock Awards). Awards from this Plan are granted in the form of performance units, the value of which is determined by a quantitative formula directly related to net income of the Corporation. The formula produces a schedule which assigns to performance units a dollar value based on various levels of net income of the Corporation (i.e., the higher the Corporation's net income, the higher the value of that performance year's units).

Prior to the beginning of each year, the Committee will review the formula in the context of the Corporation's strategic direction and current business conditions. If deemed appropriate by the Committee, the performance formula is revised at that time. Also, prior to or at the beginning of the year, and based on the sole discretion of the Committee, the number of performance units granted to each participant under the Plan will be fixed. In determining the number of units granted to each participant, the Committee considers each participant's level of responsibility, individual performance and contributions to the long-term success of the Corporation without assigning uniform relative weights to them. The number of units awarded multiplied by the unit value results in a dollar amount which is converted into book-entry shares issued at an annual average price of the Common Stock.

The increased value of Partnership Equity Plan Awards for 1993 was a result of record corporate net income and, in certain cases, an increase in the number of units awarded. The Committee increased unit awards for Messrs. Sanford, Shanks and Yates in recognition of their current performance and contributions to the long term success of the Corporation and increased levels of responsibility for Messrs. Shanks and Yates.

Under the terms of the 1991 Plan, as revised in 1992, unit awards are converted at the end of the performance year to book-entry shares and deferred for five years. While deferred, Partnership Equity Plan shares are credited with the equivalent of the quarterly net income per share of Common Stock; the dividend portion is paid currently in cash and the balance is deferred into additional Partnership Equity Plan shares. At the end of the deferral period, all shares are distributable in Common Stock. Revisions made in 1992 to the 1991 Plan were intended to further encourage employee stock ownership and link the long term performance of the Corporation to the ultimate value of awards. Plan terms revised include an increase in the mandatory deferral period to five years, vesting of awards at the end of the performance year, and the addition of earnings per share credits as described above in place of dividend reinvestments.

Employee Stock Options are generally granted at consistent share levels from year to year without reference to present holdings of unexercised options or appreciation thereon. Individual share grant levels are reviewed annually and periodically adjusted to reflect a number of factors, including the individual's contribution to the long term success of the Corporation. The Committee increased Employee Stock Option awards for Messrs. Sanford, Shanks and Yates in recognition of their current performance and contribution to the long term success of the corporation and increased levels of responsibility for Messrs. Shanks and Yates.

For total compensation valuation purposes, stock options are valued at one third of the option exercise price. On June 15, 1993, stock options were granted at an exercise price of $70.4375. In determining total compensation, the Committee values these options at $23.4792, which represents one third of the exercise price. Under the Corporation's total compensation approach to executive pay, based on the valuation applied, when the portion of total compensation paid in the form of Employee Stock Options is increased, the other components of overall remuneration, particularly the amount of the cash bonus, may be adjusted in order to achieve the combined amount deemed appropriate.

Annual Bonus. The Committee uses a total compensation approach, as discussed above, in determining appropriate pay levels for each executive officer. At the end of each performance year, the annual bonus award is determined with reference to the factors outlined above and by taking into consideration the value of all other components of the executive's compensation package. Annual bonuses may be paid in cash or a combination of cash and stock, as determined by the Committee. In the past, annual cash bonuses have represented 20% to 30% of executive officer total compensation. Bonuses are funded from a pool determined by a formula based on annual corporate net income under the Incentive Bonus Plan for Corporate Officers. The Committee fixes specific cash bonus awards based on its evaluation of an individual's annual performance and contributions to the Corporation.

1993 Chief Executive Officer Compensation Actions

For the 1993 performance year, after taking into consideration the Corporation's 1992 pay package for Mr. Sanford as compared with the 1992 CEO pay practices of other firms in the Peer Group, and in view of the outstanding performance of the Corporation in 1993, the Committee decided on a total compensation package for Mr. Sanford of approximately $10 million. This amount is expected to be in the 50th to 75th percentile for CEO pay packages of the Peer Group for 1993.

Included in Mr. Sanford's package is an annual base salary of $750,000. In comparing his 1993 salary to that of other CEOs in the Peer Group, the Committee decided not to increase this amount, which was set in February 1992. The Committee has not taken any action in regard to Mr. Sanford's salary for 1994.

Mr. Sanford's Partnership Equity Plan Award for 1993 was $4,795,000. This amount was based on the Plan formula and, as discussed on the preceding page with respect to all participants, took into account the additional judgmental factors therein set forth. As noted above, the formula for the value of this unit award is based on corporate net income and was established by the Committee at the beginning of the performance year.

The value of Mr. Sanford's 60,000-share Employee Stock Option award, $1,408,750 (one third of the exercise price multiplied by the number of option shares awarded), increased over that of 1992 as a result of a 20% increase in the number of option shares awarded to him and a 24% increase in the exercise price of the Employee Stock Options which exercise price is based on the market price of the Common Stock at the time of the award.

Based on the $10 million total compensation amount which had been decided on by the Committee, and after taking into consideration the above components already awarded, the Committee awarded Mr. Sanford a 1993 cash bonus of $3 million. This compares to a bonus of $3.9 million paid in cash and restricted stock in 1992. No restricted stock was granted to him in 1993.

The value of all compensation outlined above paid to Mr. Sanford for 1993 was $9,953,750, of which 62.3% was paid in the form of equity of the Corporation. This amount represents an increase of 46.8% over that awarded to him in 1992. Not included are his retirement plan benefits or earnings and appreciation on Partnership Equity Plan shares.

The Committee deems Mr. Sanford's compensation package for 1993 to be appropriate, particularly in view of the Corporation's record earnings of $1.07 billion (before cumulative effects of accounting changes) under his leadership, once again placing the Corporation in the top quartile among the Peer Group in terms of growth of net income, return on average common equity, and percent increase in earnings per share.

Conclusion

Through the program described above, a very significant portion of executive officer compensation is linked directly to individual and corporate performance and stock price appreciation. As the Corporation moves forward to create stockholder value for the 1990's, the Committee will continue to monitor and evaluate its strategy for executive officer compensation.

The Committee believes that it is its responsibility to assure that the pay practices of the Corporation are internally effective in support of the Corporation's current and long term goals and objectives and are competitive in the marketplace to attract, retain and motivate the talent needed to maintain the Corporation's current leadership position.

The Human Resources Committee
William R. Howell, Chairman
Jon M. Huntsman*
Vernon E. Jordan, Jr.
Hamish Maxwell
Russell E. Palmer*
Patricia C. Stewart

*Mr. Huntsman's term on the Committee commenced December 21, 1993, and Mr. Palmer's term on the Committee expired December 21, 1993.

Compensation Committee Interlocks and Insider Participation

The Human Resources Committee (the "Committee") consists solely of the following persons: William R. Howell, Jon M. Huntsman (term commenced December 21, 1993), Vernon E. Jordan, Jr., Hamish Maxwell, Russell E. Palmer (term expired December 21, 1993) and Patricia C. Stewart. It is intended that the Committee will also function as the compensation committee. Each continuing member will be an outside director within the meaning of Section 162(m) of the Internal Revenue Code of 1986 and a "disinterested person" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, and no one of them is an employee or former or current officer of the Corporation or its subsidiaries. Mr. Howell, who serves as the Chairman of the Committee, is the Chairman of the Board and Chief Executive Officer of J.C. Penney Company, Inc. Mr. Sanford, Chairman of the Corporation, is a director of J.C. Penney Company, Inc. but does not serve on its compensation committee.

Three of the directors who are members of the Committee and their associates, including affiliates and related interests, are customers of the Corporation and/or subsidiaries of the Corporation and some of these directors and their associates, including affiliates and related interests, are directors or officers of, or investors in, corporations or members of partnerships or have an interest in other entities which are customers of the Corporation and/or such subsidiaries. Such customers have had transactions in the ordinary course of business with the Corporation and/or such subsidiaries, including borrowings, all of which were on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than normal risk of collectibility.

During 1993, the law firm of Akin, Gump, Strauss, Hauer & Feld, LLP, of which Vernon E. Jordan, Jr. is a senior partner, performed legal services for a subsidiary of the Corporation, for which that firm was paid its usual and customary fees, and is expected to perform services for a subsidiary in 1994. Hamish Maxwell is a director of a small business investment company subsidiary of the Corporation and, in accordance with policy, non-officer directors of that subsidiary are permitted to purchase participations in loans and investments of that subsidiary. During 1993, Mr. Maxwell purchased participation interests totalling $117,037 in transactions in which the subsidiary's aggregate investments were approximately $26.4 million.

I. Summary Compensation Table ($000 omitted)

Executive	Year	Salary	Annual Compensation — Bonus — Cash (a)	+	Bonus — Stock (b)	=	Total	Long Term Compensation — Awards — Restricted Stock Awards (c)	Awards — Stock Option Shares	All Other Compensation (d)
Charles S. Sanford, Jr. . .	1993	$750.0	$3,021.2		$5,094.5		$8,115.7	$ 0	60,000	$301.4
Chairman and Chief	1992	743.8	1,617.7		1,295.4		2,913.1	2,318.8	50,000	163.7
Executive Officer	1991	675.0	1,188.3		1,149.4		2,337.7	2,200.7	50,000	130.8
Edward A. Lesser	1993	500.0	821.2		2,911.1		3,732.3	0	40,000	194.0
Vice Chairman	1992	491.7	819.7		942.1		1,761.8	496.9	40,000	94.6
(retired 12/31/93)	1991	400.0	813.3		835.9		1,649.2	471.6	40,000	93.3
Eugene B. Shanks, Jr. . .	1993	500.0	2,521.2		4,366.7		6,887.9	0	50,000	214.0
President	1992	491.7	1,569.7		942.1		2,511.8	1,987.5	40,000	113.7
	1991	400.0	1,263.3		835.9		2,099.2	1,571.9	40,000	93.3
George J. Vojta	1993	500.0	1,121.2		2,911.1		4,032.3	0	40,000	214.0
Vice Chairman	1992	491.7	1,119.7		942.1		2,061.8	662.5	40,000	113.7
	1991	400.0	1,013.3		835.9		1,849.2	628.8	40,000	93.3
Timothy T. Yates	1993	250.0	921.2		2,183.3		3,104.5	0	30,000	126.5
Chief Financial Officer	1992	245.8	711.4		588.8		1,300.2	496.9	25,000	63.7
	1991	200.0	712.0		418.0		1,130.0	314.4	20,000	52.0

(a) Includes annual bonus and profit-driven benefit payable in cash from the PartnerShare Plan, the Corporation's qualified defined contribution plan.

(b) Includes the value of book-entry shares awarded by formula based on corporate earnings under the Partnership Equity Plan. For the year 1991, shares vest and are distributable on the third anniversary of the end of the performance year. While deferred, 1991 Awards earn dividend equivalents which are credited as additional book-entry shares. For 1992 and 1993 Awards, shares vest at the end of the performance year and are deferred for five additional years. While deferred, 1992 and 1993 Awards earn the equivalent of net income per share (EPS) on the Common Stock. Of these earnings, the portion equal to the current per share dividend is paid out currently in cash and the balance (EPS less cash dividends) is reinvested in additional book-entry shares. Dividend equivalents on the 1991 and 1992 Awards are paid at the same rates as are paid on the Common Stock and are not included in the above totals. No dividend equivalents were paid in 1993 on the 1993 Awards.

(c) The number and value of restricted stock holdings at the end of 1993 are: Sanford—70,000 shares, value—$5,538,750; Shanks—55,000 shares, value—$4,351,875; Vojta—20,000 shares, value—$1,582,500; Yates—12,500 shares, value—$989,062. For these purposes, the stated values of restricted stock holdings are the current market values without giving effect to the diminution of values attributable to the restrictions on such stock. Dividends are paid quarterly on the above restricted stock. Under the terms of the Plan, all shares of restricted stock granted to Edward A. Lesser vested and were distributed upon his retirement at 12/31/93—25,000 shares, value—$1,978,125.

(d) Includes earnings per share less cash dividends ("net E.P.S. credits") earned on 1992 Partnership Equity Plan shares and non-elective company contributions to defined contribution plans. For the last fiscal year, net E.P.S. credits earned in 1992 Partnership Equity Plan Awards and non-elective contributions to defined contribution plans, respectively, for each of the named Executive Officers are as follows: Sanford—$137,229 and $164,150; Lesser—$99,803 and $94,150; Shanks—$99,803 and $114,150; Vojta—$99,803 and $114,150; and Yates—$62,377 and $64,150. Net E.P.S. credits on the 1993 Partnership Equity Plan begin in 1994. Does not include life insurance premiums paid under a plan that is available generally to all salaried employees and the annual premium for which is under $25,000 for any one of the named Executive Officers.

II. Options/SAR Grants Table

Options/SAR Grants in Last Fiscal Year

Name	Options Granted(1)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price(2)	Expiration Date(3)	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(4)		
					0% ($70.4375)	5% ($114.74)	10% ($182.70)
C. Sanford	60,000	2.81%	$70.4375	6/16/03	$0	$ 2,658,150	$ 6,735,750
E. Lesser	40,000	1.88	70.4375	6/16/03	0	1,772,100	4,490,500
E. Shanks	50,000	2.35	70.4375	6/16/03	0	2,215,125	5,613,125
G. Vojta	40,000	1.88	70.4375	6/16/03	0	1,772,100	4,490,500
T. Yates	30,000	1.41	70.4375	6/16/03	0	1,329,075	3,367,875
All Common Stockholders(5)	**N/A**	**N/A**	**N/A**	**N/A**	**0**	**$3,645,255,908**	**$9,237,075,594**

(1) Stock options granted on 6/15/93 by the Corporation to the Chief Executive Officer and each of the other named Executive Officers, all of which become exercisable one year after grant. No SARs were granted during 1993.

(2) The exercise price was equal to the fair market value of the Common Stock on the date of grant. The exercise price may be paid in cash, or by delivery of already-owned shares subject to certain conditions. The tax withholding obligations relating to the exercise may be paid in cash or by offset of the underlying shares, subject to certain conditions.

(3) Nonqualified Stock Options have a term of ten years and one day. Incentive stock options have a term of ten years (6/15/03). Both are subject to earlier termination in certain events related to termination of employment.

(4) Total dollar gains based on indicated rates of appreciation over a ten year term. Assumed future stock prices are shown in parentheses.

(5) Hypothetical dollar gains on shares of the Common Stock outstanding (less shares held in Treasury) at 6/30/93 for comparison with assumed appreciation in shares subject to options granted in 1993 to each of the named Executive Officers.

The potential realizable value of each grant of employee stock options, assuming that the market price of the underlying security appreciates in value from the date of grant to the end of the option term at the rates of 5% and 10%, are shown above. Hypothetical future values, based on the difference between the option price at date of grant and the stock prices shown in parentheses, indicate what gain would be realized if such options were exercised immediately prior to their expiration date. The actual future gain, if any, of the stock options will depend upon the future appreciation in the market price of the Common Stock. There is no assurance that the assumed future values reflected in this Table will actually be attained. Use of this model should not be viewed in any way as a forecast of the future performance of the Corporation's stock, which will be determined by future events and unknown factors.

III. Option Exercises and Year End Value Table

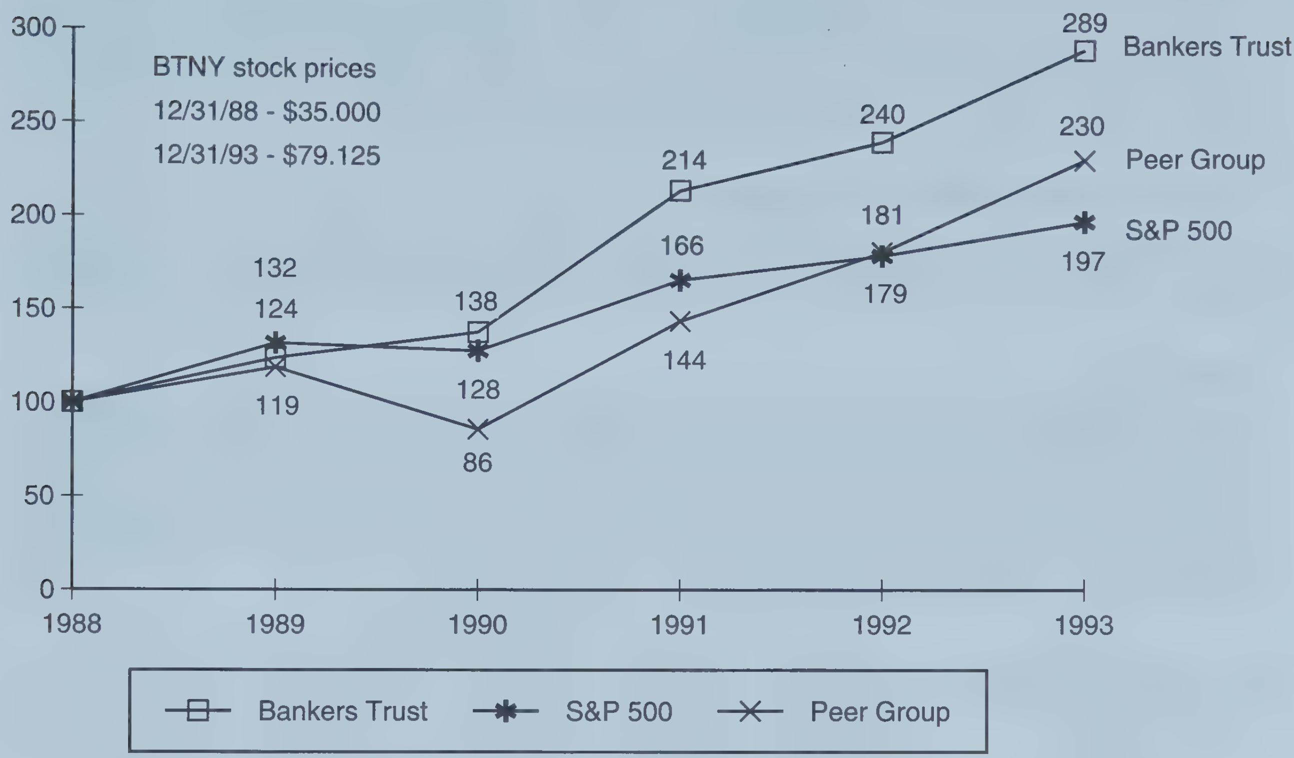
Aggregated Option Exercises in Last Fiscal Year And Fiscal Year End Option Values

Name	Shares Acquired	Value Realized(1)	Number of Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money Options at Fiscal Year End(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
C. Sanford	117,399	$2,807,720	134,155	60,000	$3,272,567	$521,250
E. Lesser	134,778	4,494,903	94,527	40,000	2,281,868	347,500
E. Shanks	14,446	606,057	192,554	50,000	5,547,065	434,375
G. Vojta	40,000	1,175,000	154,000	40,000	4,079,250	347,500
T. Yates	9,845	206,597	51,000	30,000	1,219,375	260,625

(1) Market value of underlying securities at exercise minus option price.

(2) Market value of underlying securities at year end minus option price. The value of unexercised in-the-money stock options at December 31, 1993 shown above are presented pursuant to SEC rules. The actual amount, if any, realized upon exercise of stock options will depend upon the market price of the Common Stock relative to the exercise price per share of Common Stock of the stock option at the time the stock option is exercised. There is no assurance that the values of unexercised in-the-money stock options reflected in the Table will be realized.

Comparison of Five-Year Cumulative Total Return to Shareholders*



* See accompanying notes and list of companies

Notes:

- Total return to shareholders is stock price appreciation and all dividends reinvested.
- Peer Group companies annually weighted based on 1989 through 1993 market capitalization at the beginning of each year.
- S&P 500 information obtained from S&P CompuStat Services, Inc.
- All data as of 12/31/93.
- Companies in Peer Group are:
  - Bear Stearns Companies Inc.
  - Chase Manhattan Corporation
  - Chemical Banking Corporation
  - Citibank
  - Merrill Lynch & Co.
  - J.P. Morgan & Co. Incorporated
  - Morgan Stanley Group Inc.
  - PaineWebber Group, Inc.
  - Salomon Inc

Sources

Bloomberg Data Service
The Value Line Investment Survey
CompuServe Data Service
Dow Jones Data Service
Standard & Poors Stock Guide

Employment Agreements

During 1993, the Corporation terminated, with the consent of the employees, Employment Agreements which would have become effective upon a Change of Control of the Corporation. As previously disclosed, the Corporation had Employment Agreements with six key employees (including Messrs. Sanford, Lesser, Shanks and Vojta), which would have provided for a three year term of employment after a Change of Control of the Corporation.

Long Term Incentive Plans and Repriced Options

Since the Corporation does not have a Long Term Incentive Plan, as defined by the Securities and Exchange Commission, and has not repriced any ten year options or SARs, these two tables have not been included.

Pension Plan

The following table shows the estimated annual pension benefits payable at normal retirement age to a covered participant, who has attained the earnings and years of service classifications indicated, under the Corporation's tax-qualified defined benefit pension plan ("Pension Plan") and non-qualified supplemental pension plan ("Supplemental Retirement Plan"), based upon compensation that is covered under the plans ("Covered Compensation") and years of service with the Corporation and certain of its subsidiaries credited under the plans ("Credited Service"):

	Years of Credited Service				
Average Final Salary	*15*	*20*	*25*	*30*	*35 or more*
$125,000	$ 35,000	$ 44,000	$ 53,000	$ 62,000	$ 70,000
$250,000	$ 68,000	$ 84,000	$101,000	$117,000	$134,000
$375,000	$ 77,000	$ 93,000	$110,000	$126,000	$143,000
$500,000	$ 86,000	$102,000	$119,000	$135,000	$152,000
$625,000	$ 95,000	$111,000	$128,000	$144,000	$161,000
$775,000	$105,000	$122,000	$138,000	$155,000	$171,000
$900,000	$114,000	$131,000	$147,000	$164,000	$180,000

Benefits under the Supplemental Retirement Plan are provided for Messrs. Sanford, Shanks and Vojta, all of whom are currently employed by the Corporation, and for Mr. Lesser who retired on December 31, 1993. Benefits shown above are computed as a single life annuity and are not subject to any deduction for Social Security or other offset amounts. A participant's Covered Compensation is his or her average final salary. "Average Final Salary" under the Pension Plan is the average annual salary, as reported in the Summary Compensation Table, during the 60 consecutive calendar months in the last 120 calendar months of a participant's Credited Service yielding the highest average annual salary (subject to certain limitations on salary under the Internal Revenue Code with respect to tax-qualified plans). Average Final Salary is determined under the Supplemental Retirement Plan in the same manner as under the Pension Plan, except that the lesser of a participant's annual salary or annual cash bonus (as reported in the Summary Compensation Table) is used to calculate such average and a participant's salary is not subject to the limitations under the Internal Revenue Code. Covered Compensation does not include any other compensation included on the Summary Compensation Table. Credited Service under the Pension Plan is the number of years and months worked for the Corporation and certain of its subsidiaries after attaining age 21 and completing one year of service and is limited to 35 years. Credited Service under the Supplemental Retirement Plan only includes service from January 1, 1990.

As of December 31, 1993, the years of Credited Service for Messrs. Sanford, Lesser, Shanks, Vojta and Yates under the Pension Plan, in which each is fully vested (rounded to the nearest year), was 31, 35, 17, 9 and 22, respectively. Messrs. Sanford, Lesser, Shanks and Vojta each had four years of Credited Service under, and are fully vested in, the Supplemental Retirement Plan. Covered

Compensation for Messrs. Sanford, Lesser, Shanks, Vojta and Yates as of the end of 1993 was $750,000, $500,000, $500,000, $500,000 and $250,000, respectively, except that, with respect to the Pension Plan, compensation for each was limited under the Internal Revenue Code to $235,840.

PART II. Ratification of Appointment of the Independent Auditor

The Board of Directors, upon the recommendation of its Audit Committee, comprised entirely of independent outside directors, which reviewed the professional competence of the firm and its audit program, has appointed Ernst & Young, certified public accountants, as the independent auditor for 1994, subject to stockholder ratification. Since 1987, this firm or its predecessor, Arthur Young & Company, has served as the independent auditor for the Corporation and its principal subsidiary, Bankers Trust Company.

Representatives of Ernst & Young will be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

Ratification of the appointment of Ernst & Young as the independent auditor would require an affirmative vote of a majority of the votes cast by the holders of the Common Stock at the Annual Meeting.

THE BOARD OF DIRECTORS AND MANAGEMENT RECOMMEND THAT THE STOCKHOLDERS RATIFY THE APPOINTMENT OF ERNST & YOUNG AS THE INDEPENDENT AUDITOR FOR 1994. THIS IS IDENTIFIED AS ITEM 2 ON THE ENCLOSED PROXY CARD.

PART III. Approval of the 1994 Stock Option and Stock Award Plan.

The Board of Directors (the "Board") adopted on January 18, 1994, subject to approval by the Corporation's stockholders, a proposed Bankers Trust New York Corporation 1994 Stock Option and Stock Award Plan (the "Plan") in the form set forth in Appendix A hereto. The Board believes that adoption of the Plan will provide the Corporation with an effective means of retaining, attracting and motivating key employees of the Corporation and its subsidiaries whose performance is of great importance to the continued development of the Corporation. The Plan, in the judgment of the Board, will enhance the Corporation's position in the highly competitive market for executive talent. For these reasons, the Board concluded that the Plan should be recommended to the stockholders for approval at the Annual Meeting. Features of the Plan are outlined below but the outline is qualified in its entirety by reference to the full text of the Plan itself, which is attached hereto as Appendix A. In addition to the longer term of the Plan, as compared to the 1991 Plan (increased from 3 to 4 years), and the larger number of shares allocated to the Plan (increased from 9,000,000 to 15,000,000), the Plan does not provide for stock appreciation rights nor does it provide for the repricing of stock options after the date of their grant. Other new provisions were included in an effort to meet the requirements for deductibility by the Corporation with respect to options and certain awards under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). In other respects, the provisions of the Plan are generally similar to the provisions of the 1991 Plan which was approved initially by the stockholders on April 16, 1991 and which ends by its terms on April 19, 1994.

The Plan permits the granting during a period of four years from the date of stockholder approval of the Plan of (1) nonqualified stock options ("NQSOs"), (2) incentive stock options ("ISOs"), (3) restricted stock awards, (4) deferred stock awards and (5) other awards of stock and other awards that are valued in whole or in part by reference to, or are otherwise based on stock ("other Stock-based Awards") (each of the foregoing being an "Award" and collectively, the "Awards").

Future benefits under the Plan are not currently determinable. However, benefits granted in 1993 to named Executive Officers would not have been increased had they been made under the proposed Plan.

Pursuant to Item 10(a)(2)(iii) of Schedule 14A of the Exchange Act, the schedule below shows what awards made in 1993 would have been if the 1994 Plan were in effect at that time and had they been made thereunder.

Employee Stock Options

	Dollar Value (based on ⅓ exercise price)	*Options Shares*
Sanford	$ 1,408,750	60,000
Lesser	939,167	40,000
Shanks	1,173,958	50,000
Vojta	939,167	40,000
Yates	704,375	30,000
Total Executive Officers	$ 6,339,375	270,000
All Employees	$50,065,896	2,131,500

Restricted Stock

	Dollar Value	*Shares of Restricted Stock*
Sanford	$0	0
Lesser	0	0
Shanks	0	0
Vojta	0	0
Yates	0	0
Total Executive Officers	0	0
All Employees	$21,799,386	280,850

Deferred Stock Awards (Partnership Equity Plan)

	Dollar Value (based on award formula)	*Deferred Shares*
Sanford	$ 4,795,000	64,385
Lesser	2,740,000	36,791
Shanks	4,110,000	55,187
Vojta	2,740,000	36,791
Yates	2,055,000	27,594
Total Executive Officers	$19,865,000	266,738
All Employees	$85,402,375	1,146,741

Other Stock-Based Awards

No employees received other Stock-based Awards in 1993.

The Board may terminate or suspend the Plan at any time but such termination or suspension shall not affect any Awards then outstanding under the Plan. The Board may amend the Plan, but may not without the prior approval of the stockholders, except as otherwise set forth below, make any amendment which would in any way change or materially modify the requirements for eligibility in the Plan or otherwise materially increase the benefits accruing to participants under the Plan, extend the maximum option period or the duration of the Plan, increase the total number of available shares, or

subsequent to the date of grant decrease the option price to less than 100% of the fair market value on the date of the granting of the option. The Committee (hereinafter defined) of the Board may amend the term of any Award theretofore granted, retroactively or prospectively, but no such amendment shall impair the rights of any holder without the holder's consent.

Since certain amendments to the Securities and Exchange Commission's rules under Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act") permit phasing-in of full compliance with such rules over a period of time, the Board reserves the right during such period to amend or alter the Plan without further approval of stockholders to the extent it determines to be necessary or appropriate to conform with said rules as so amended and as is otherwise permissible under applicable law.

Securities Subject to the Plan

The total number of shares of Common Stock (the "Stock"), par value $1 per share, of the Corporation available for distribution under the Plan is 15,000,000. Available shares shall consist in whole or in part of authorized and unissued shares or treasury shares. The Corporation currently intends to fund the Awards to be granted under the Plan with treasury shares acquired through open market purchases. As of March 14, 1994, the Corporation held in treasury 3,888,420 shares, all or a part of which may be used to fund Awards granted under the Corporation's 1991 and prior Stock Option and Stock Award Plans and the Plan. During the balance of 1994, the Corporation currently intends to purchase up to approximately 3,000,000 additional shares on the open market for use in fulfilling commitments under the Corporation's 1991 and prior Stock Option and Stock Award Plans and the Plan. Shares involved in the unexercised portion of any lapsed or cancelled options or forfeited restricted stock, deferred stock or other Stock-based Awards shall again be available for distribution.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, or other change in corporate structure affecting the Stock, such adjustment shall be made in the aggregate number of shares which may be distributed under the Plan, in the number and option price of shares subject to the outstanding options granted under the Plan, in the number of shares of restricted stock and deferred stock awarded under the Plan, and in other Stock-based Awards as may be determined to be appropriate by the Committee.

Eligibility

Officers and other key employees of the Corporation and its subsidiaries (but excluding members of the Committee and any person who serves only as a director) who are responsible for the management, growth and protection of the business of the Corporation and its subsidiaries are eligible to be granted Awards under the Plan. Approximately 1,000 employees are expected to be eligible to participate under the Plan. The Committee shall in its sole discretion select from among those eligible, the officers and other key employees to whom Awards may from time to time be granted, and the number of shares to be covered by Awards. The Plan provides no specific minimum number of shares with respect to which Awards may be granted to any individual. As of the adoption of the Plan, the annual maximum number of shares that may be granted to any individual from all types of Awards made under the Plan is 750,000 shares.

Administration

The Board of Directors of the Corporation (the "Board") shall designate a committee of not less than three directors (the "Committee") who shall serve at the pleasure of the Board. The Committee may also have other duties, as would be the case if the Board should designate the Corporation's Human Resources Committee (or a successor thereto) to act as the Committee under the Plan. No member of the Committee shall be eligible to participate in the Plan while serving on the Committee. The Board intends that each member of the Committee shall be a "Disinterested Person" within the meaning of Rule 16b-3 under the Exchange Act and an "Outside Director" within the meaning of

Section 162(m) of the Code; provided, however, that a director who is a "Disinterested Person" within the meaning of the Exchange Act will be treated as satisfying the requirements of an "Outside Director" until the first meeting of stockholders at which directors are to be elected that occurs after July 1, 1994 or such later date as may be permissible under the Code or Regulations promulgated thereunder. The Committee has the authority to grant to eligible employees Awards pursuant to the provisions of the Plan, to interpret its provisions and those of any Award agreement issued thereunder and to supervise the administration of the Plan. The Committee has the authority to select the officers and other key employees of the Corporation and its subsidiaries to whom Awards are to be granted; to determine the number of shares to be covered by each Award so granted; to determine the terms and conditions (not inconsistent with the provisions of the Plan) of any Awards so granted thereunder; and certify the attainment of performance goals, if applicable, as required by Section 162(m) of the Code. All decisions made by the Committee shall be final, conclusive, and binding on all parties, except that Awards by the Committee to the officers of the Corporation named in its proxy material are subject to Board ratification.

Stock Options

The purchase price per share of Stock purchasable under a stock option will be determined by the Committee. However, such purchase price shall not be less than 100% of the fair market value of the Stock on the date of the grant of such option. In accordance with procedures established by the Committee, such fair market value shall be deemed to be the arithmetic average of the high and low quotations of sales of such Stock on the New York Stock Exchange Composite Transaction Tape on the date on which the option is granted. The period of each option shall be fixed by the Committee, but no option shall be exercisable after the expiration of ten years and one day from the date the option is granted. Options may be exercisable in installments, as determined by the Committee and as set forth in the option. An option may be exercised, in whole at any time or in part from time to time during the option period, by giving written notice of exercise to the Corporation. Such notice shall specify the number of shares to be purchased, and shall be accompanied by payment in full of the purchase price, which may be, at the discretion of the Committee (and in the case of ISOs, if permitted under the terms of the option), in whole or in part, in the form of shares of Stock of the Corporation already owned by the optionee (based on the fair market value of the Stock on the date the option is exercised as determined by the Committee). Subject to certain conditions, optionees may settle related tax withholding obligations in either cash or by offset of the underlying shares. No shares shall be issued until full payment therefor has been made. Furthermore, the Corporation shall, to the extent permitted by law, have the right to deduct any Federal, state or local taxes of any kind as required by law to be withheld from any Award granted under this Plan. An optionee shall have rights to dividends and other rights of a stockholder when the optionee has given written notice of exercise of an option, paid in full for such shares and, if requested, given an appropriate investment representation. No option granted under the Plan shall be transferable by the optionee otherwise than by will or by the laws of descent and distribution, and, during the lifetime of the optionee, such option shall be exercisable only by such optionee. Stock options may be granted either alone or in addition to other Awards under the Plan.

Except in the case of a Change of Control (as defined in the Plan on page 3 of Appendix A) or as otherwise determined by the Committee, no stock option may be exercised until the employee has remained in the continuous employ of the Corporation and/or its subsidiaries for one year after the option is granted, except in the case of termination of employment because of death or permanent disability, nor may an option be exercised after termination of employment for any reason other than death, permanent disability, or retirement. Except as otherwise determined by the Committee, stock options may be exercised, but only within the stated option period, within (a) three years after the optionee retires from the Corporation or any of its subsidiaries; (b) three years after termination of the optionee's employment with the Corporation or any of its subsidiaries on account of permanent disability; (c) fifteen months after the death of the optionee while still in the employ of the Corporation or any of its subsidiaries; or (d) twelve months following the date of death of an optionee who dies

within the three year period following termination of employment for retirement or permanent disability. To qualify for preferential tax treatment, ISOs must be exercised within three months after retirement or within one year after termination of service on account of permanent disability. Under no circumstances may any option be exercised after the expiration of the stated period of the option.

Restricted Stock

Shares of restricted stock may be issued either alone or in addition to other Awards under the Plan. The Committee shall determine the time or times within which the Awards may be subject to forfeiture (e.g., termination of employment before the end of the restriction period), and all other conditions of the Awards. The provisions of the Awards need not be the same with respect to each recipient.

The prospective recipient of an Award of shares of restricted stock shall not have any rights with respect to such Award until such recipient executes an agreement evidencing the Award, delivers a fully executed copy thereof to the Corporation, and otherwise complies with the then applicable terms and conditions of the Award.

Each participant shall be issued a certificate in respect of shares of restricted stock awarded under the Plan. Such certificate shall be registered in the name of the participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award.

The stock certificates, appropriately legended, evidencing shares of restricted stock will be held in custody by the Corporation until the restrictions thereon have lapsed and the participant has satisfied all tax liabilities in connection with the Award.

Except as otherwise required by the applicable award agreement, recipients of Awards under the Plan are not required to make any payment other than taxes due or provide consideration other than the rendering of services. Shares of restricted stock awarded pursuant to the Plan shall be subject to the following restrictions and conditions:

(i) During a period set by the Committee commencing with the date of Award (the "restriction period"), the participant shall not be permitted to sell, transfer, pledge, or assign shares of restricted stock awarded under the Plan. Within these limits, the Committee may provide for the lapse of such restrictions in installments where deemed appropriate.

(ii) Except as provided in the Plan, the participant shall have, with respect to the shares of restricted stock, all of the rights of a stockholder of the Corporation, including the right to vote the shares, and the right to receive any cash dividends. Certificates for shares of unrestricted stock shall be delivered to the participant promptly after, and only after, the restriction period expires without forfeiture in respect of such shares, unless otherwise determined by the Committee.

(iii) Subject to certain exceptions, upon termination of employment for any reason during the restriction period, all shares still subject to restriction shall be forfeited by the participant and reacquired by the Corporation.

(iv) In the event of a participant's retirement, permanent disability, or death, or in cases of special circumstances, the Committee may, in its sole discretion, upon finding that a waiver would be in the best interests of the Corporation, waive in whole or in part any or all remaining restrictions with respect to such participant's shares of restricted stock.

Deferred Stock Awards

The Committee may award the right to receive Stock that is not to be distributed to the participant until after a specified deferral period ("deferred stock"); the participant may elect further deferral subject to Committee approval. Such deferred stock Awards may be issued either alone or in addition to other Awards under the Plan. The Committee shall determine the period or period(s) within which deferred

stock Awards may be subject to deferral (including elective deferral) and forfeiture, and all other conditions of such Awards, unless such authority is specifically reserved to the Board or stockholders under the terms of the Plan. The provisions of such Awards need not be the same with respect to each recipient.

Except as otherwise required by the applicable award agreement, recipients of deferred stock Awards under the Plan are not required to make any payment other than taxes due or provide consideration other than the rendering of services. Deferred stock awarded pursuant to the Plan shall be subject to certain conditions, including, but not limited to the following:

(i) During a period set by the Committee commencing with the date of award (the "deferral period"), the participant shall not be permitted to sell, transfer, pledge, or assign deferred stock awarded under the Plan. Within these limits, the Committee may provide for the lapse of such restrictions in installments where deemed appropriate.

(ii) The participant shall have the right to receive currently or on a deferred basis or in some combination thereof (subject to forfeiture in some cases) credits payable in either cash or stock or in some combination thereof deemed earned by the Award during the deferral period, all as determined by the Committee.

(iii) Subject to certain exceptions and to the terms of the award agreement, upon termination of employment for any reason during the deferral period, all or a portion of the deferred stock may be forfeited by the participant as determined by the Committee.

(iv) In the event of various special circumstances, the Committee may, in its sole discretion, upon its finding that a waiver would be in the best interests of the Corporation, waive in whole or in part any or all remaining limitations with respect to such participant's deferred stock.

Other Stock-Based Awards

The Committee may grant to participants, either alone or in addition to stock options, restricted stock, deferred stock, or other Stock-based Awards, including (without limitation) performance shares, convertible preferred stock and convertible debentures.

The Committee shall determine the officers and other key employees to whom other Stock-based Awards are to be made, the time or times at which such Awards are to be made, the size of such Awards and all other conditions of such Awards, including any restrictions, deferral periods or performance requirements. The provisions of such Awards need not be the same with respect to each recipient, and shall be subject to certain conditions, including, but not limited to the following:

(i) The participant shall not be permitted to sell, transfer, pledge, or assign the shares in question prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses.

(ii) As determined by the Committee, the participant shall have the right to receive currently or on a deferred basis (subject to forfeiture in some cases) interest or dividends, or their equivalents.

(iii) The Awards shall be subject to such forfeiture provisions as the Committee shall determine.

(iv) In the event of various special circumstances, the Committee may, in its sole discretion, upon its finding that a waiver would be in the best interests of the Corporation, waive in whole or in part any or all remaining limitations with respect to the shares in question.

(v) Stock (including securities convertible into Stock) issued on a bonus basis pursuant to such Awards may be issued for no cash consideration; Stock (including securities convertible into Stock) purchased pursuant to a purchase right awarded pursuant to such Awards shall be priced at least at 50% of the fair market value of the Stock on the date of grant.

Tax Aspects Under the U.S. Internal Revenue Code

Incentive Stock Options. ISOs granted under the Plan will be subject to the provisions of the Internal Revenue Code. If shares of Stock of the Corporation are issued to an optionee pursuant to an ISO granted as described above, and if no disqualifying disposition of such shares is made by such optionee within one year after the transfer of such shares to such optionee or within two years after the date of grant, (a) no income will be realized by the optionee at the time of the grant of the option, (b) no income, for regular income tax purposes, will be realized by the optionee at the date of exercise, (c) upon sale of such shares, any amount realized in excess of the option price will be taxed to the optionee, for regular income tax purposes, as a long-term capital gain and any loss sustained will be a long-term capital loss, and (d) no deduction will be allowed to the Corporation for Federal income tax purposes. Upon exercise of an ISO the optionee may be subject to alternative minimum tax.

Nonqualified Stock Options. With respect to NQSOs granted to optionees under the Plan, (a) no income is realized by the optionee at the time the option is granted, (b) at exercise, ordinary income is realized by the optionee in an amount equal to the difference between the option price (the amount paid for the shares) and the fair market value of the shares on the date of exercise, and the Corporation receives a tax deduction for the same amount, and (c) on disposition, appreciation or depreciation after the date of exercise is treated as either short-term or long-term capital gain or loss depending on whether the shares have been held more than one year.

Restricted Stock. Upon becoming entitled to receive the shares at the end of the restriction period without a forfeiture, the recipient has ordinary taxable income in an amount equal to the fair market value of the shares at that time. However, a recipient who elects under Section 83(b) of the Code within 30 days of the date of the grant will have ordinary taxable income on the date of the grant equal to the fair market value of the shares of restricted stock as if the shares were unrestricted and could be sold immediately. If the shares subject to such election are forfeited, the recipient will not be entitled to any deduction, refund, or loss for tax purposes. Upon sale of the shares after the forfeiture period has expired, the holding period to determine whether the recipient has long-term or short-term capital gain or loss begins when the restriction period expires, and the tax basis will be equal to the fair market value of the shares when the restriction period expires. However, if the recipient timely elects to be taxed as of the date of the grant, the holding period commences on the date of the grant and the tax basis will be equal to the fair market value of the shares on the date of the grant as if the shares were then unrestricted and could be sold immediately. The Corporation generally will be entitled to a deduction equal to the amount that is taxable as ordinary compensation income to the recipient.

Deferred Stock. The recipient of a deferred stock Award will generally be subject to tax at ordinary income rates on the fair market value of the deferred stock on the date that the stock is distributed, and the capital gains/loss holding period for such stock will also commence on the day following such date. The Corporation generally will be entitled to a deduction equal to the amount that is taxable as ordinary compensation income to the recipient.

Change of Control

Upon a Change of Control, all options granted under the Plan would vest and become immediately exercisable. Options exercised during the 60 days following a Change of Control would be settled for cash. For purposes of determining the cash-out payment during the 60 days following a Change of Control, fair market value would be deemed to be the higher of (i) the highest market price paid for a share of the Corporation's Stock during the 60 day period preceding a Change of Control and (ii) the highest price paid for a share of the Corporation's Stock in the Change of Control. All options would remain exercisable for 6 months and 1 day after any termination of employment (other than for cause) within 18 months following a Change of Control. In the case of restricted, deferred or other Stock-based Awards, the restriction and deferral periods immediately lapse and the subject shares of or interests in

Stock become fully vested, and such shares of or interests in Stock shall be delivered immediately to the participant.

The closing price of the Corporation's Stock on the New York Stock Exchange on March 1, 1994 was $80.75 per share.

The affirmative vote of the holders of a majority of all outstanding shares of Common Stock entitled to vote thereon will be required for approval of this Plan.

THE BOARD OF DIRECTORS AND MANAGEMENT RECOMMEND THAT THE STOCKHOLDERS *APPROVE* THE 1994 STOCK OPTION AND STOCK AWARD PLAN DESCRIBED ABOVE. THIS IS IDENTIFIED AS ITEM 3 ON THE ENCLOSED PROXY CARD.

PART IV. Approval of the Incentive Bonus Plan for Corporate Officers.

The Board of Directors (the "Board") adopted, subject to approval by the Corporation's stockholders, a proposed Bankers Trust New York Corporation Incentive Bonus Plan for Corporate Officers (the "Bonus Plan") in the form set forth in Appendix B hereto. The Bonus Plan provides annual incentive awards to certain officers and other key employees of the Corporation and its subsidiaries and is being submitted to the stockholders in an effort to meet the requirements for deductibility by the Corporation under Section 162(m) of the Internal Revenue Code of 1986 (the "Code"). Future incentive awards under the Bonus Plan are not currently determinable. However, incentive awards granted in 1993 to named Executive Officers would not have been increased had they been made under the Bonus Plan.

Pursuant to Item 10(a)(2)(iii) of the Exchange Act, the schedule below shows what awards under the Bonus Plan would have been in 1993 if the Bonus Plan was in effect for 1993.

	Bonus
Sanford	$ 3,000,000
Lesser	800,000
Shanks	2,500,000
Vojta	1,100,000
Yates	900,000
Total Executive Officers	$ 9,500,000
All Employees	$43,300,450

Stockholder approval of the Bonus Plan is recommended by the Board in order to permit the Corporation to maintain the tax-deductible status of such incentive payments to the named Executive Officers, in compliance with tax legislation adopted in 1993. The Bonus Plan has been designed and will be administered to provide "performance based" incentives as set forth under Section 162(m) of the Code.

With such approval, the Corporation will continue to have an effective vehicle to (a) focus and motivate the annual performance of key executives of the Corporation and its subsidiaries, (b) offer such employees opportunities to attain competitive levels of cash compensation, and (c) reward those who have contributed to the profitability of the Corporation. Features of the Bonus Plan are outlined below, but the outline is qualified in its entirety by reference to the full text of the Bonus Plan itself, which is attached hereto as Appendix B.

Eligibility

Certain officers and other key employees of the Corporation and its subsidiaries are eligible to be granted awards under the Bonus Plan. Approximately 400 employees, including the named Executive Officers, are expected to continue to be eligible under the Bonus Plan.

Administration

The Board of Directors of the Corporation (the "Board') shall designate a committee of not less than three directors (the "Committee") who shall serve at the pleasure of the Board. The Committee may also have other duties, as would be the case if the Board should designate the Corporation's Human Resources Committee (or a successor thereto) to act as the Committee under the Bonus Plan. No member of the Committee shall be eligible to participate in the Bonus Plan while serving on the Committee. The Board intends that each member of the Committee shall be a "Disinterested Person" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 (the "Exchange Act") and an "Outside Director" within the meaning of Section 162(m) of the Code; provided, however, that a director who is a "Disinterested Person" within the meaning of Rule 16b-3 of the Exchange Act will be treated as satisfying the requirements of an "Outside Director" until the first meeting of stockholders at which directors are to be elected that occurs after July 1, 1994 or such later date as may be permissible under the Code or Regulations promulgated thereunder. The Committee has the authority to select certain officers and other key employees of the Corporation and its subsidiaries from those eligible who will participate in the Bonus Plan, to determine individual maximum awards (which may not exceed the shareholder approved maximum award which may be granted to any one individual), to set performance goals and targets, where appropriate, at the beginning or deemed beginning under Federal tax rules of each performance year, to ascertain the size of the bonus pool at the end of the performance year based on the shareholder approved method, to determine the degree of attainment of performance goal(s), to determine the amounts payable to each participant, and the timing and terms of such payments with respect to each performance year, provided, however, that the Committee cannot delegate its authority to determine bonus awards for any person covered under Section 162(m) of the Code, e.g., the named Executive Officers. All decisions of the Committee are final, conclusive and binding on all parties except that awards by the Committee to the officers of the Corporation named in its proxy material are subject to Board ratification.

Bonus Pool

Under the Bonus Plan, the annual bonus pool for the 12 month performance period ending November 30, for approximately 400 participants (including the named Executive Officers), will be funded under a quantitative performance formula based on a percentage of the consolidated after-tax net income of the Corporation and its affiliates for the performance year. The total pool need not be awarded and, further, may be reduced in the judgment of the Committee based on its evaluation of overall Corporate performance.

Awards

The maximum amount of compensation which may be awarded to any individual participant under the Bonus Plan is 1.5% of the consolidated pre-tax income of the Corporation and its affiliates for the performance year, not to exceed 100% of the bonus pool when combined with the bonus awards for all other participants under the Bonus Plan. The maximum amount need not be awarded to any participant. The Committee retains negative discretion permissible under Section 162(m) of the Code and the proposed Treasury Regulations issued thereunder to reduce such bonuses below the maximum award amount on a judgmental basis in the best interests of the Corporation and its stockholders.

In accordance with Section 162(m) of the Code, the Bonus Plan provides for written certification by the Committee that the pool and amounts payable therefrom satisfy the performance goals and any other relevant term of such awards. Such certification will be made after the end of each performance period and prior to bonus payment. The performance period for purposes of the Bonus Plan is the 12-month period ending November 30 each year. Bonuses may be paid, as soon as practicable after such certification, in cash, stock, or a combination thereof. Payment may be deferred, in part or whole, on a mandatory basis by the Committee or electively by participants with Committee approval.

In the event of a Change of Control of the Corporation, a pro rata bonus would be paid to each officer and each other key employee who is a participant at that time for the performance period in which the Change of Control of the Corporation occurs based on the bonus paid or accrued for the performance year preceding a Change of Control of the Corporation or, if higher, the average bonus paid or accrued for the three performance years preceding the year in which the Change of Control of the Corporation occurs.

Tax Aspects Under the U.S. Internal Revenue Code

Generally, ordinary income is realized by a Bonus Plan participant upon receipt of the payment of an award under the Bonus Plan in an amount equal to such payment if in cash, or the fair market value of any stock received. Consequently, the deferral of the payment of an award under the Bonus Plan generally will defer the realization of income by the participant until such payment is received. At the time a participant realizes such income, the Corporation generally will be entitled to a deduction for Federal income tax purposes equal to the amount of such income realized by the participant.

The affirmative vote of the holders of a majority of all outstanding shares of Common Stock entitled to vote thereon will be required for approval of the Bonus Plan.

THE BOARD OF DIRECTORS AND MANAGEMENT RECOMMEND THAT THE STOCKHOLDERS *APPROVE* THE INCENTIVE BONUS PLAN FOR CORPORATE OFFICERS DESCRIBED ABOVE. THIS IS IDENTIFIED AS ITEM 4 ON THE ENCLOSED PROXY CARD.

PART V. Stockholder Resolutions

The Corporation has been informed by certain stockholders that they plan to submit resolutions at the Annual Meeting. The Board of Directors and Management believe that adoption of these resolutions is not in the best interests of the Corporation and recommend a vote AGAINST each of them. An affirmative vote of a majority of the votes cast by holders of the Common Stock at the Annual Meeting would be required for the adoption of these resolutions, which are set forth below:

STOCKHOLDER PROPOSAL RELATING TO MEETING DATES

The Corporation has been informed by Mrs. Evelyn Y. Davis, Watergate Office Building, 2600 Virginia Avenue N.W., Suite 215, Washington, D.C. 20037, the owner of 100 shares, that she intends to introduce the following resolution:

> "RESOLVED: That the shareholders of Bankers Trust recommend that the Board of Directors establish the following corporate policy:"
>
> > "Neither the Corporation nor its affiliates or subsidiaries shall make any new loans or renew any old loans to corporations which have changed their Annual Meeting dates in the last seven years to conflict with the Annual Meeting dates of other major corporations, until and unless such corporations do find a time and date which is more suitable."
>
> "REASONS: Until about seven years ago many corporations met at dates and times where a larger amount of independent non-employee stockholders could attend."
>
> "In the last few years corporations such as Exxon, Travelers, Dupont, Capital Cities/ABC, General Dynamics, Federated, Safeway and others changed their Annual Meeting dates and/or times."
>
> "Several corporations such as Riggs National Bank and Chrysler have started good examples by finding dates where more independent stockholders can attend their Annual Meetings."
>
> "If you AGREE, please mark your proxy FOR this resolution."

THE BOARD OF DIRECTORS AND MANAGEMENT RECOMMEND THAT THE STOCKHOLDERS VOTE *AGAINST* THIS PROPOSAL, WHICH IS IDENTIFIED AS ITEM 5 ON THE ENCLOSED PROXY CARD, FOR THE FOLLOWING REASONS:

POSITION OF BOARD OF DIRECTORS AND MANAGEMENT

The Corporation and its subsidiaries base lending decisions on clearly defined business related criteria and the expertise and experience of the lending personnel. Proponent's proposal would introduce subjective considerations into the decision-making process and, in any event, would be impractical to administer. Accordingly, the Board of Directors and Management recommend a vote *AGAINST* this proposal.

STOCKHOLDER PROPOSAL RELATING TO CUMULATIVE VOTING

Mr. John J. Gilbert, 29 East 64th Street, New York, NY 10021-7043, who is the owner of 108 shares, and who represents an additional family holding of 200 shares, has stated his intention to submit the following resolution:

> "RESOLVED: That the stockholders of Bankers Trust New York Corporation, assembled in annual meeting in person and by proxy, request the Board of Directors to take the steps necessary to provide for cumulative voting in the election of directors, which means each stockholder shall be entitled to as many votes as shall equal the number of shares he or she owns multiplied by the number of directors to be elected, and he or she may cast all of such votes for a single candidate, or any two or more of them as he or she may see fit."
>
> "REASONS: Continued strong support along the lines we suggest were shown at the last Annual Meeting when the owners of 17,139,009 shares, approximately 22.8%, were cast in favor of this proposal."
>
> "A law in California provides that state pension holdings, as well as state college funds, invested in shares be voted in favor of cumulative voting proposals, showing increasing recognition of the importance of this democratic means of electing directors."

THE BOARD OF DIRECTORS AND MANAGEMENT RECOMMEND THAT THE STOCKHOLDERS VOTE *AGAINST* THIS PROPOSAL, WHICH IS IDENTIFIED AS ITEM 6 ON THE ENCLOSED PROXY CARD, FOR THE FOLLOWING REASONS:

POSITION OF BOARD OF DIRECTORS AND MANAGEMENT

Cumulative voting proposals for the election of directors have been rejected in the past by the Corporation's stockholders. The Board of Directors and Management continue to oppose this proposal because of the potential abuse and the history of the use of cumulative voting by those with special interests not common to stockholders generally. The size and diversity of the Corporation require a cohesive group of directors able to work together effectively for the benefit of all stockholders. A method of cumulative voting could result in the election of directors who are partisans of a particular group with special interests possibly inimical to the best interests of the Corporation and its stockholders. Accordingly, the Board of Directors and Management recommend a vote *AGAINST* this proposal.

PART VI. Other Matters

Management does not know of any other matters that may be presented. If other matters should properly come before the Annual Meeting, or adjournments thereof, it is the intention of the persons named in the enclosed proxy to vote the stock represented by them in accordance with their best judgment pursuant to the discretionary authority included in the proxy.

The cost of soliciting proxies will be paid by the Corporation. In addition to solicitation by mail, proxies may be solicited personally or by telephone, telegram, telecopier, or facsimile transmission by regular employees of the Corporation and its subsidiaries. Brokerage houses and other custodians, nominees and fiduciaries will be requested to forward soliciting material to their principals and the Corporation will reimburse them for the expense of doing so. Kissel-Blake Inc., New York, New York, has been retained to aid in the solicitation of proxies for a fee of $17,500 plus out-of-pocket expenses.

Any stockholder executing the enclosed form of proxy may revoke it at any time before it is exercised. A proxy may be revoked by delivering to the Corporation a written revocation or a duly executed proxy bearing a later date or by attending the Annual Meeting and voting in person. Where the stockholder specifies a choice with respect to any matter to be acted upon, the shares represented by the proxy will be voted in accordance with such specifications. If not otherwise specified in the proxy, the shares will be voted in the election of directors for the nominees listed in Part I, for ratification of the appointment of the independent auditor, as described in Part II, for approval of the 1994 Stock Option and Stock Award Plan, as described in Part III, for approval of the Incentive Bonus Plan for Corporate Officers, as described in Part IV, and will be voted against each of the stockholder proposals described in Part V. If a duly executed proxy card is not returned, the shares cannot be voted except by voting in person or by a duly executed proxy presented at the Annual Meeting.

STOCKHOLDER PROPOSALS FOR THE 1995 ANNUAL MEETING OF STOCKHOLDERS

A stockholder proposal must be received by the Corporation by November 15, 1994 to be eligible for inclusion in the Proxy Statement for the 1995 Annual Meeting of Stockholders.

By order of the Board of Directors

JAMES T. BYRNE, JR.
Secretary

Appendix A

BANKERS TRUST NEW YORK CORPORATION 1994 STOCK OPTION AND STOCK AWARD PLAN

SECTION 1. Purpose of the Plan.

The purpose of the 1994 Stock Option and Stock Award Plan (the "Plan") is to aid Bankers Trust New York Corporation (the "Corporation") and its subsidiaries in securing and retaining officers and other key employees of outstanding ability and to motivate such employees to exert their best efforts on behalf of the Corporation and its subsidiaries. In addition, the Corporation expects that it will benefit from the added interest which the respective Awardees (as hereinafter defined) will have in the welfare of the Corporation as a result of their ownership or increased ownership of the common stock of the Corporation.

SECTION 2. Administration.

(a) The Board of Directors of the Corporation (the "Board") shall designate a committee of not less than three directors (the "Committee") who shall serve at the pleasure of the Board. The Committee may also have other duties, as would be the case if the Board should designate the Corporation's Human Resources Committee (or a successor thereto) to act as the Committee under the Plan. No member of the Committee shall be eligible to participate in the Plan while serving on the Committee. The Committee shall have full power and authority, subject to ratification by the Board by resolutions not inconsistent with the provisions of the Plan, to grant to eligible employees pursuant to the provisions of the Plan: (i) stock options to purchase shares, (ii) restricted stock, (iii) deferred stock, or (iv) any other Stock-based Awards (as hereinafter defined) permitted hereunder (each of the foregoing being an "Award" and collectively, the "Awards"). The Committee shall also interpret the provisions of the Plan and any Award issued under the Plan (and any agreements relating thereto) and supervise the administration of the Plan.

(b) The Committee shall: (i) subject to Board ratification in connection with officers to be named in the Corporation's proxy material, select the officers and other key employees of the Corporation and its subsidiaries to whom Awards may from time to time be granted hereunder; (ii) determine whether incentive stock options (under Section 422 of the Internal Revenue Code of 1986, as the same may be amended from time to time (the "Code")), non-qualified stock options, restricted stock, deferred stock, or other Stock-based Awards, or a combination of the foregoing, are to be granted hereunder; (iii) determine the number of shares to be covered by each Award granted hereunder; (iv) determine the terms and conditions, not inconsistent with the provisions of the Plan, of any Award granted hereunder (including but not limited to any restriction and forfeiture condition on such Award and/or the shares of Stock (as hereinafter defined) relating thereto); (v) determine whether, to what extent and under what circumstances Awards may be settled in cash; (vi) determine whether, to what extent and under what circumstances Stock and other amounts payable with respect to an Award under this Plan shall be deferred either automatically or at the election of the Awardee; (vii) determine whether, to what extent and under what circumstances option grants and/or other Awards under the Plan are to be made, and operate, on a tandem basis; and (viii) to the extent appropriate certify attainment of performance goals as required by Section 162(m) of the Code.

(c) All decisions made by the Committee pursuant to the provisions of the Plan and

related orders or resolutions of the Board (as and to the extent permitted hereunder) shall be final, conclusive and binding on all persons, including the Corporation, its stockholders, employees and individuals granted Awards under the Plan ("Awardees").

SECTION 3. Stock Subject to the Plan.

Except as otherwise provided by this Section 3 and subject to Section 12(e), the total number of shares of common stock of the Corporation (the "Stock") available for distribution under the Plan is 15,000,000. Such shares may consist, in whole or in part, of authorized and unissued shares or treasury shares, except that treasury shares must be used in the case of restricted stock. If any shares that have been optioned cease to be subject to option because the option has expired or been cancelled or has been deemed to have expired or cancelled, or if any shares subject to any restricted stock, deferred stock or other Stock-based Award granted hereunder are forfeited or such Award otherwise terminates without the actual or deemed delivery of such shares, such shares shall again be available for distribution under the Plan.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, extraordinary cash or property dividend, or other change in corporate structure affecting the Stock, such adjustment shall be made in the aggregate number of shares which may be delivered under the Plan, in the number and/or option price of shares subject to outstanding options granted under the Plan, and/or in the number of shares subject to restricted stock, deferred stock, or other Stock-based Awards granted under the Plan as may be determined to be appropriate by the Committee, in its sole discretion; provided that the number of shares subject to any Award shall always be a whole number; and provided further that, with respect to incentive stock options, no such adjustment shall be authorized to the extent that such adjustment would cause the Plan to violate Section 422(b)(1) of the Code or any successor provision thereto. In addition, subject to the limitations provided in Section 7, Section 10, and Section 12(e), the Committee is authorized to make adjustments in the terms and conditions of, and performance criteria relating to, Awards in recognition of unusual or nonrecurring events (including, without limitation, events described in this paragraph) affecting the Corporation or the financial statements of the Corporation, or in response to changes in applicable laws, regulations or accounting principles.

SECTION 4. Eligibility.

Officers and other key employees of the Corporation and its subsidiaries (but excluding members of the Committee and any person who serves only as a director) who are responsible for the management, growth, profitability or protection of the business of the Corporation and its subsidiaries are eligible to be granted Awards under the Plan. The Awardees under the Plan shall be selected from time to time by the Committee, in its sole discretion, from among those eligible.

For purposes of the Plan, a subsidiary of the Corporation shall be any corporation which at the time qualifies as a subsidiary thereof under the definition of "subsidiary corporation" in Section 424(f) of the Code.

SECTION 5. Stock Options.

Any stock option granted under the Plan shall be in such form as the Committee may from time to time approve. Any such option shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable.

(a) *Option Type*. Each option shall state whether it will or will not be treated as an incentive stock option.

(b) *Option Price*. The purchase price per share of the Stock purchasable under a stock option shall be determined by the Committee, but will be not less than 100% of the fair market value of the Stock on the date of the grant of the option, as determined in accordance with procedures established by the Committee.

(c) *Option Period*. The term of each stock option shall be fixed by the Committee, but no incentive stock option shall be exercisable after the expiration of 10 years from the date the option is granted and no

non-qualified stock option shall be exercisable after the expiration of 10 years and one day from the date the option is granted.

(d) *Exercisability*. Stock options shall be exercisable at such time or times as determined by the Committee at or subsequent to grant. Unless otherwise determined by the Committee at or subsequent to grant, no stock option shall be exercisable during the twelve month period ending on the day before the first anniversary date of the granting of the option, except as provided in paragraphs (g), (h) or (i) of this Section 5; provided, however, that notwithstanding the foregoing, from and after a Change of Control (as hereinafter defined) all stock options shall become immediately exercisable to the full extent of the original Award.

As used herein, "Change of Control" shall mean any of the following events:

(i) The acquisition, other than from the Corporation, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then outstanding shares of common stock of the Corporation (the "Outstanding Corporation Common Stock") or the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Corporation Voting Securities"); provided, however, that any acquisition by the Corporation or any of its subsidiaries, or any employee benefit plan (or related trust) of the Corporation or its subsidiaries, or any corporation with respect to which, following such acquisition, more than 80% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by the individuals and entities who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Corporation Voting Securities immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the Outstanding Corporation Common Stock and Corporation Voting Securities, as the case may be, shall not constitute a Change of Control; or

(ii) Individuals who, as of January 1, 1994, constitute the Board (as of the date hereof the "Incumbent Board") cease for any reason to constitute at least a majority of the Board provided that any individual becoming a director subsequent to such date whose election, or nomination for election by the Corporation's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Corporation (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(iii) Approval by the stockholders of the Corporation of a reorganization, merger or consolidation, in each case, with respect to which the individuals and entities who were the respective beneficial owners of the common stock and voting securities of the Corporation immediately prior to such reorganization, merger, or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 80% of, respectively, the then outstanding shares of common stock

and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the Corporation resulting from such reorganization, merger or consolidation, or a complete liquidation or dissolution of the Corporation or of the sale or other disposition of all or substantially all of the assets of the Corporation.

Anything herein to the contrary notwithstanding, with respect to any Awardee in the Plan, a Change of Control shall not be deemed to have occurred if such Change of Control results from or arises out of a purchase or other acquisition of the Corporation, directly or indirectly, by a corporation or other entity in which such Awardee has a direct or indirect equity interest; provided, however, that the limitation contained in this sentence shall not apply in respect of any Awards entitling the Awardee to any direct or indirect equity interest in a corporation or other entity *(a)* which equity interest is part of a class of equity interests which are publicly traded on any securities exchange or other market system, or *(b)* received by such Awardee without the Awardee's concurrence or consent, as a result of or in connection with a purchase or other acquisition of the Corporation by such corporation or other entity.

(e) *Method of Exercise*. Stock options may be exercised, in whole or in part by giving written notice of exercise to the Corporation specifying the number of shares to be purchased. Such notice shall be accompanied by payment in full of the purchase price, either by certified or bank check; provided, however, that during the 60-day period from and after a Change of Control (x) an Awardee (other than an Awardee who initiated a Change of Control in a capacity other than as an officer or director of the Corporation) who is an officer or director of the Corporation (within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder) with respect to an option that was granted at least six months prior to the date of exercise pursuant to this proviso and (y) any other Awardee who at the time of exercise is not an officer or director shall, unless the Committee shall determine otherwise at the time of grant, have the right, in lieu of the payment of the full purchase price of the shares of Stock being purchased under the stock option and by giving written notice to the Corporation to elect (within such 60-day period) to surrender all or part of the stock option to the Corporation and to receive in cash an amount equal to the amount by which the fair market value per share of the Stock on the date of exercise shall exceed the purchase price per share under the stock option multiplied by the number of shares of Stock granted under the stock option as to which the right granted by this proviso shall have been exercised. Such written notice shall specify the Awardee's election to purchase shares subject to the stock option or to receive the cash payment referred to in the proviso to the immediately preceding sentence. The Committee may, in its sole discretion, authorize payment in whole or in part of the purchase price to be made in unrestricted stock already owned by the Awardee, or, in the case of a non-qualified stock option, in restricted stock or deferred stock subject to an Award hereunder (based upon the fair market value of the Stock on the date the option is exercised, as determined by the Committee). The Committee may authorize such payment at or after grant, except that in the case of an incentive stock option, any right to make payment in unrestricted stock already owned must be included in the option at the time of grant. No shares of Stock shall be issued until full payment therefor has been made. Subject to paragraph (k) of this Section 5, an Awardee shall have the rights to dividends and other rights of a shareholder with respect to shares subject to the option when the Awardee has given written notice of exercise, has paid in full for such shares, and, if requested, has given the representation described in paragraph (a) of Section 12.

As used in this paragraph (e) of Section 5, the fair market value of the Stock on the date of exercise shall mean:

(i) with respect to an election by an Awardee to receive cash in respect of a stock option which is not an incentive stock option, the "Change of Control Fair Market Value," as defined below; and

(ii) with respect to an election by an Awardee to receive cash in respect of a stock option which is an incentive stock option, the fair market value of the Stock on the date of exercise, determined in the same manner as the fair market value of Stock on the date of grant of a stock option is determined pursuant to paragraph (b) of Section 5 of the Plan unless otherwise determined by the Committee.

(f) *Nontransferability of Options*. No stock option shall be transferable by the Awardee otherwise than by will or by the laws of descent and distribution, and such options shall be exercisable, during the Awardee's lifetime, only by the Awardee.

(g) *Termination by Death*. Except to the extent otherwise provided by the Committee at or after the time of grant if an Awardee's employment by the Corporation and/or any of its subsidiaries terminates by reason of death, the stock option may thereafter be immediately exercised in full by the legal representative of the estate or by the legatee of the Awardee under the will of the Awardee, for a period of fifteen months from the date of such death or until the expiration of the stated period of the option, whichever period is shorter.

(h) *Termination by Reason of Retirement or Permanent Disability*. Except to the extent otherwise provided by the Committee at or after the time of grant, if an Awardee's employment by the Corporation and/or any of its subsidiaries terminates by reason of retirement or permanent disability, any stock option held by such Awardee may thereafter be exercised in full, but may not be exercised after three years from the date of such termination of employment or the expiration of the stated period of the option, whichever period is the shorter; provided, however, that, if the Awardee dies within such three-year period, any unexercised stock option held by such Awardee shall thereafter be exercisable to the extent to which it was exercisable at the time of death for a period of twelve months from the date of the Awardee's death or for the stated period of the option, whichever period is the shorter. For these purposes, the term "retirement" is a retirement as defined in the Corporation's Pension Plan as in effect from time to time. In the event of termination of service by reason of retirement or permanent disability, if an incentive stock option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, the option will thereafter be treated as a non-qualified stock option.

(i) *Other Termination*. Unless otherwise determined by the Committee at or after grant, if an Awardee's employment terminates for any reason other than death, permanent disability, or retirement, the stock option shall thereupon terminate; provided, however, that if such termination is by action of the employer and other than discharge for reason of willful violation of the rules of the Corporation or by voluntary resignation of the Awardee, in either case within 18 months following a Change of Control, any stock options held by the Awardee may be exercised by the Awardee until the earlier of six months and one day after such termination or the expiration of such options in accordance with their terms.

(j) *Option Buyout*. The Committee may at any time offer to repurchase an option (other than an option which has been held for less than six months by an Awardee who is subject to Section 16 of the Exchange Act), based on such terms and conditions as the Committee shall establish and communicate to the Awardee at the time such offer is made.

(k) *Form of Settlement*. In its sole discretion, the Committee may provide, at the time of grant, that the shares to be issued upon an

option's exercise shall be in the form of restricted stock or deferred stock, or may reserve other than with respect to incentive stock options the right to so provide after the time of grant.

SECTION 6. Restricted Stock.

(a) *Stock and Administration.* Shares of restricted stock may be issued either alone or in addition to stock options, deferred stock or other Stock-based Awards granted under the Plan. The Committee shall determine the officers and key employees of the Corporation and its subsidiaries to whom, and the time or times at which, grants of restricted stock will be made, the number of shares to be awarded, the time or times within which such Awards may be subject to forfeiture, and all other conditions of the Awards. The provisions of restricted stock Awards need not be the same with respect to each recipient.

(b) *Awards and Certificates.* The prospective recipient of an Award of shares of restricted stock shall not, with respect to such Award, be deemed to have become an Awardee, or to have any rights with respect to such Award, until and unless such recipient shall have executed an agreement or other instrument evidencing the Award and delivered a fully executed copy thereof to the Corporation, and otherwise complied with the then applicable terms and conditions, and then:

(i) Each Awardee shall be issued a stock certificate in respect of shares of restricted stock awarded under the Plan. Such certificate shall be registered in the name of the Awardee, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

"The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Bankers Trust New York Corporation 1994 Stock Option and Stock Award Plan and an Agreement entered into between the registered owner and Bankers Trust New York Corporation. Copies of such Plan and Agreement are on file in the offices of Bankers Trust New York Corporation, 280 Park Avenue, New York, N.Y. 10017."

(ii) The Committee shall require that the stock certificates evidencing such shares be held in custody by the Corporation until the restrictions thereon shall have lapsed, and shall require, as a condition of any restricted stock Award, that the Awardee shall have delivered a stock power, endorsed in blank, relating to the stock covered by such Award.

(c) *Restrictions and Conditions.* The shares of restricted stock awarded pursuant to the Plan shall be subject to the following restrictions and conditions:

(i) Subject to the provisions of this Plan during a period set by the Committee commencing with the date of such Award (the "restriction period"), the Awardee shall not be permitted to sell, transfer, pledge, or assign shares of restricted stock awarded under the Plan. Within these limits, the Committee may provide for the lapse of such restrictions in installments where deemed appropriate.

(ii) Except as provided in paragraph (c) of this Section 6, the Awardee shall have, with respect to the shares of restricted stock, all the rights of a shareholder of the Corporation, including the right to vote the restricted stock, and the right to receive any cash dividends. The Committee, in its sole discretion, may permit or require the payment of cash dividends to be deferred and, if the Committee so determines, reinvested in additional restricted stock or otherwise reinvested. Certificates for shares of unrestricted stock shall be delivered to the Awardee promptly after, and only after, the period of forfeiture shall expire without forfeiture in respect of such shares of restricted stock.

(iii) Subject to the provisions of paragraph (c)(iv) of this Section 6, upon termination of employment for any reason during the restriction period, all shares still subject to restriction shall be forfeited by the Awardee and reacquired by the Corporation.

(iv) In the event of an Awardee's retirement, permanent disability, or death, or in cases of special circumstances, the Committee may, in its sole discretion, when it finds that a waiver would be in the best interests of the Corporation, waive in whole or in part any or all remaining restrictions with respect to such Awardee's shares of restricted stock.

(v) Notwithstanding anything in the foregoing to the contrary, upon a Change of Control any and all restrictions on restricted stock shall lapse regardless of the restriction period established by the Committee and all such restricted stock shall become fully vested and nonforfeitable and promptly distributed.

SECTION 7. Deferred Stock Awards.

(a) *Stock and Administration.* Awards of the right to receive Stock that is not to be distributed to the Awardee until after a specified deferral period (such Award and the deferred Stock delivered thereunder hereinafter as the context shall require, the "deferred stock") may be made either alone or in addition to stock options or restricted stock or other Stock-based Awards granted under the Plan. The Committee shall determine the officers and key employees of the Corporation and its subsidiaries to whom deferred stock shall be awarded, the number of shares of deferred stock to be awarded at the end of a specified performance period to any Awardee pursuant to a formula based upon earnings goals of the Corporation as measured by pretax or post tax corporate income, net income per common share and/or the return on average common equity of the Corporation for the year of the Award which shall be specified by the Committee prior to the beginning of such year for services to be performed after the Committee sets the standard, or on a date after the beginning of the year which may be deemed to be prior to the beginning of such year for these purposes under Federal tax rules, the duration of the period (the "Deferral Period") during which, and the conditions under which, receipt of the stock will be deferred, and the terms and conditions of the Award in addition to those contained in paragraph (b) of this Section 7. In its sole discretion, the Committee may provide for a minimum payment at the end of the applicable Deferral Period based on a stated percentage of the fair market value on the date of grant of the number of shares covered by a deferred stock Award. The provisions of deferred stock Awards need not be the same with respect to each recipient. Prior to any Award of deferred stock, the Committee shall certify attainment of the performance goals for the specified performance thereon.

(b) *Terms and Conditions.* Deferred stock Awards made pursuant to this Section 7 shall be subject to the following terms and conditions:

(i) Subject to the provisions of the Plan, the shares to be issued pursuant to a deferred stock Award may not be sold, assigned, transferred, pledged or otherwise encumbered during the Deferral Period or Elective Deferral Period (defined below), where applicable, and all or a portion of which may be subject to a risk of forfeiture during all or such portion of the Deferral Period all as determined by the Committee. At the expiration of the Deferral Period and Elective Deferral Period, share certificates shall be delivered to the Awardee, or the Awardee's legal representative, in a number equal to the number of shares covered by the deferred stock Award.

(ii) Amounts equal to any dividends declared and/or any other amounts deemed earned such as credits based on net income per common share will be paid to the Awardee directly,

deferred into additional shares or some combination thereof, all as determined by the Committee in its sole discretion.

(iii) In the event of the Awardee's retirement, permanent disability or death during the Deferral Period (or Elective Deferral Period, where applicable), or in cases of special circumstances, the Committee may, in its sole discretion, when it finds that a waiver would be in the best interest of the Corporation, waive in whole or in part any or all of the remaining deferral limitations imposed hereunder with respect to any or all of the Awardee's deferred stock. Anything in the Plan to the contrary notwithstanding, upon the occurrence of a Change of Control, the Deferral Period and the Elective Deferral Period with respect to each deferred stock Award shall expire immediately and all share certificates relating to such Awards shall be delivered immediately to each Awardee or the Awardee's legal representative.

(iv) Prior to completion of the Deferral Period, an Awardee may elect to further defer receipt of the Award for a specified period or until a specified event (the "Elective Deferral Period"), subject in each case to the approval of the Committee and under such terms as are determined by the Committee, all in its sole discretion.

(v) Each Award under this Section 7 shall be confirmed by a deferred stock agreement or other instrument executed by the Corporation and by the Awardee.

SECTION 8. Other Stock-Based Awards.

(a) *Stock and Administration*. Other Awards of the Stock and other Awards that are valued in whole or in part by reference to, or are otherwise based on the Stock ("other Stock-based Awards"), including (without limitation) performance shares, dividend equivalents, and convertible debentures, may be granted either alone or in addition to other Awards granted under the Plan. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the officers and key employees of the Corporation and/or any of its subsidiaries to whom and the time or times at which such other Stock-based Awards shall be made, the number of shares of Stock to be awarded pursuant to such other Stock-based Awards, and all other conditions of the other Stock-based Awards. The Committee may also provide for the grant of Stock upon the completion of a specified performance period. The provisions of other Stock-based Awards need not be the same with respect to each recipient.

(b) *Terms and Conditions*. Other Stock-based Awards made pursuant to this Section 8 shall be subject to the following terms and conditions:

(i) Subject to the provisions of this Plan, shares or interests in shares subject to Awards made under this Section 8, may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or Deferral Period lapses.

(ii) Subject to the provisions of this Plan and the Award agreement, the recipient of Awards under this Section 8 shall be entitled to receive, currently or on a deferral basis, interest or dividends or interest or dividend equivalents or such other amounts with respect to the number of shares or interests therein covered by the Awards, as determined at the time of the Awards by the Committee, in its sole discretion, and the Committee may provide that such amounts or portion thereof (if any), as determined by the Committee in its sole discretion shall be deemed to have been reinvested in additional Stock or otherwise reinvested.

(iii) Any Awards under this Section 8 and any Stock covered by any such Award may be forfeited to the extent so provided in the Award agreement, as determined by the Committee, in its sole discretion.

(iv) In the event of the Awardee's retirement, permanent disability or death, or in cases of special circumstances, the Committee may, in its sole discretion, when it finds that a waiver would be in the best interests of the Corporation, waive in whole or in part any or all of the remaining limitations imposed hereunder (if any) with respect to any or all Awards under this Section 8. Anything in the Plan to the contrary notwithstanding, any limitations imposed with respect to any Award under this Section 8, including any provision providing for the forfeiture of any Award under any circumstance, shall terminate immediately upon a Change of Control and the number of shares or interests in the Stock subject to such Award shall be delivered to the Awardee (or, in the case of an Award with respect to which such number is not determinable, such number of shares or interests in the Stock as is determined by the Committee and set forth in the terms of such Award).

(v) Each Award under this Section 8 shall be confirmed by an agreement or other instrument executed by the Corporation and by the Awardee.

(vi) The Stock or interests therein (including securities convertible into Stock) paid or awarded on a bonus basis under this Section 8 shall be issued for no cash consideration; the Stock or interests therein (including securities convertible into the Stock) purchased pursuant to a purchase right Awarded under this Section 8 shall be priced at least at 50% of the fair market value of the Stock on the date of grant.

(vii) No other Stock-based Award in the nature of a purchase right shall be transferable by the Awardee otherwise than by will or by the laws of descent and distribution, and such purchase rights shall be exercisable during the Awardee's lifetime only by the Awardee.

SECTION 9. Transfer, Leave of Absence, etc.

For purposes of the Plan: (a) a transfer of an employee from the Corporation to a subsidiary or affiliate of the Corporation, whether or not incorporated, or vice versa, or from one subsidiary or affiliate, whether or not incorporated, to another, (b) a leave of absence, duly authorized in writing by the Corporation, for sickness, or for any other purpose approved by the Corporation if the period of such leave does not exceed eighty-four days, and (c) a leave of absence in excess of eighty-four days, duly authorized in writing by the Corporation, provided the employee's right to reemployment is guaranteed either by a statute or by contract, shall not be deemed a termination of employment.

SECTION 10. Amendments and Termination.

The Board may amend, alter or discontinue the Plan, but no amendment, alteration, or discontinuation shall be made which would impair the rights of an Awardee under an Award theretofore granted, without the Awardee's consent, or which without the approval of the stockholders would:

(a) except as is provided in Section 3 of the Plan, increase the total number of shares available for the purpose of the Plan;

(b) subsequent to the date of grant decrease the option price of any stock option to less than 100% of the fair market value on the date of the granting of the option;

(c) extend the maximum option period under Section 5(c) of the Plan; or

(d) otherwise materially increase the benefits accruing to Awardees under, or materially modify the requirements as to eligibility for participation in, the Plan.

The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, but no such amendment shall impair the rights of any Awardee without such Awardee's consent. Notwithstanding the foregoing, the Board or the Committee may, in its discretion, amend the Plan or terms of any outstanding Award held by a person then subject to Section 16 of the Exchange Act without the consent of any Awardee in order to preserve

exemptions under said Section 16 which are or become available from time to time under rules of the Securities and Exchange Commission.

Since certain amendments to the Securities and Exchange Commission's rules under Section 16 of the Exchange Act permit phasing-in of full compliance with such rules over a period of time, the Board reserves the right during such period to amend or alter the Plan without further approval of stockholders to the extent it determines to be necessary or appropriate to conform with said rules as so amended and as is otherwise permissible under applicable law.

SECTION 11. Unfunded Status of Plan.

The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to an Awardee by the Corporation, nothing contained herein shall give any such Awardee any rights that are greater than those of a general creditor of the Corporation. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Stock or payments in lieu of or with respect to Awards hereunder; provided, however, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

SECTION 12. General Provisions.

(a) The Committee may require each Awardee purchasing shares pursuant to an Award under the Plan to represent to and agree with the Corporation in writing that such Awardee is acquiring the shares without a view to distribution thereof. The certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

(b) All certificates for shares of Stock delivered under the Plan pursuant to any Award shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Stock is then listed, and any applicable Federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(c) Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution for, any other Awards granted under the Plan. If Awards are granted in substitution for other Awards, the Committee shall require the surrender of such other Awards in consideration for the grant of the new Awards. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards. The exercise price of any option or the purchase price of any other Stock-based Award in the nature of a purchase right granted in substitution for outstanding Awards or in lieu of any other right to payment by the Corporation shall be the fair market value of shares at the date such substitute Awards are granted or shall be such fair market value at that date reduced to reflect the fair market value of the Awards or other right to payment required to be surrendered by the Awardee as a condition to receipt of the substitute Award; or retroactively granted in tandem with outstanding Awards shall be either the fair market value of shares at the date of grant of later Awards or the fair market value of shares at the date of grant of earlier Awards.

(d) Nothing contained in this Plan shall prevent the Board of Directors from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

(e) The maximum number of shares that may be subject to Award in any calendar year to any Awardee under Sections 5 through 8 is 5% of the total number of shares available for distribution under the Plan as set forth in Sections 3 and 10.

SECTION 13. Taxes.

(a) If any Awardee properly elects, within thirty days of the date on which an Award is granted, to include in gross income for Federal income tax purposes an amount equal to the fair market value (on the date of grant of the Award) of the Stock subject to the Award, such Awardee shall make arrangements satisfactory to the Committee to pay to the Corporation, in the calendar quarter of such Award, any Federal, state, or local taxes required to be withheld with respect to such shares. If such Awardee shall fail to make such tax payments as are required, the Corporation and its subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Awardee.

(b) Any Awardee who does not or cannot make the election described in paragraph (a) of this Section 13 with respect to an Award, shall, no later than the date as of which the value of the Award first becomes includible in the gross income of the Awardee for Federal income tax purposes, pay to the Corporation, or make arrangements satisfactory to the Committee regarding payment of, any Federal, state, or local taxes of any kind required by law to be withheld with respect to the Stock subject to such Award and the Corporation and its subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Awardee. Anything contained herein to the contrary notwithstanding, the Committee may, in its sole discretion, authorize acceptance of Stock received in connection with the Award or option being taxed or otherwise previously acquired in satisfaction of withholding requirements.

(c) If and to the extent authorized by the Committee, the Corporation or any of its subsidiaries are authorized to withhold from any distribution of Stock relating to any Award granted under the Plan, or to receive shares from the Awardee, and to pay the value of such Stock to the appropriate taxing authority, in order to satisfy obligations of the Awardee for the payment of Federal, state, and local taxes in connection with such Award (including but not necessarily limited to amounts required to be withheld by the Corporation).

SECTION 14. Effective Date of the Plan.

The Plan shall be effective on the date it is approved by the vote of the holders of a majority of all outstanding shares of Common Stock entitled to vote thereon.

SECTION 15. Term of Plan.

No Awards shall be granted pursuant to the Plan after April 21, 1998, but Awards theretofore granted may extend beyond that date.

Appendix B

BANKERS TRUST NEW YORK CORPORATION
INCENTIVE BONUS PLAN FOR CORPORATE OFFICERS

I. Purpose of the Plan

The purpose of the Incentive Bonus Plan for Corporate Officers (the "Plan") is to provide a means of rewarding certain officers and other key employees of Bankers Trust New York Corporation and its subsidiaries (the "Corporation") who have contributed to the profitability of the Corporation.

II. Administration of the Plan

The Board of Directors of Bankers Trust New York Corporation (the "Board") shall designate a committee of not less than three directors (the "Committee") who shall serve at the pleasure of the Board. The Committee may also have other duties, as would be the case if the Board should designate the Corporation's Human Resources Committee (or a successor thereto) to act as the Committee under the Plan. No member of the Committee shall be eligible to participate in the Plan while serving on the Committee. The Committee shall have full power and authority, subject to ratification by the Board by resolutions not inconsistent with provisions of the Plan, to grant bonus awards to eligible employees pursuant to the provisions of the Plan. The Committee shall also interpret the provisions of the Plan and any award issued under the Plan (and any agreements relating thereto) and supervise the administration of the Plan.

III. Participation in the Plan

Participation in the Plan shall be limited to the following officers or other key employees of the Corporation and its subsidiaries:

A) Officers whose positions are evaluated in salary grade 50 and above under the Management Position Evaluation and Salary Administration Program of Bankers Trust Company;

B) Other officers or other key employees of the Corporation and its subsidiaries whose positions are not evaluated under the above plan but who, in the judgment of the Chairman, qualify for participation in the Plan on the basis that their positions are comparable to positions holding evaluations in salary grade 50 and above; and

C) The Committee in its discretion may exclude any person who would otherwise qualify as a participant under A or B above.

IV. Bonus Pool

A) Prior to the beginning of each 12-month period ending November 30 upon all or part of which a participant's entitlement to receive a bonus award is based (a "Performance Year"), or on a date after the beginning of the Performance Year which may be deemed to be prior to the beginning of such year for these purposes under Federal tax rules, the Committee shall designate a percentage of the consolidated after-tax net income of the Corporation and its affiliates for such Performance Year that will be used to determine the amount of the bonus pool.

B) The Committee shall have the authority to provide for a bonus pool which is less than permitted under A above, if in its judgment overall corporate performance does not warrant creation of the bonus pool allowed.

C) The total of the bonus pool need not be paid as bonus awards.

V. Bonus Awards Under the Plan

A) Prior to the beginning of each Performance Year, or on a date after the beginning of the Performance Year which may be deemed to be prior to the beginning of such year for these purposes under Federal tax rules, the Committee shall allocate in writing, on behalf of each person to be named in the proxy, a portion of the bonus pool to be paid for such Performance Year. The annual maximum award payable to any participant under the Plan is 1.5% of the consolidated pretax income of the Corporation and its affiliates.

B) The Committee is authorized at any time during or after a Performance Year, in its sole and absolute discretion, to reduce or eliminate the bonus pool or the portion of the bonus pool allocated to any participant, for any reason.

C) The order and the procedure for the determination of individual bonus awards, shall be as follows:

1) Subject to ratification by the Board of Directors, the Committee shall first determine if the bonus award for the Chairman shall be adjusted and the amount of such award.

2) The Chairman of the Board shall next recommend which participants in salary grade 68 and which of the participants who report directly to the Chairman or are covered by Section 162(m) of the Code shall have their bonus awards adjusted if appropriate and the amount of each award. His recommendations shall then be submitted to the Committee for its consideration. Subject to ratification by the Board of Directors for the officers named in the proxy materials, the decision of the Committee either to approve a bonus award as recommended, to adjust the amount of a recommended bonus award, or to disapprove a bonus award recommendation, is final.

3) With respect to all other participants, the respective department heads and function heads shall submit their bonus recommendations to the Chairman for consideration. After review and adjustment, if any, by the Chairman, the total funding required for such bonuses shall be submitted to the Committee for its approval. Subject to the terms of the Plan, the decision of the Committee to approve the bonus funding as recommended, to adjust the amount of recommended bonuses, or to disapprove the bonus funding recommendation, is final.

D) The total of all individual bonus awards shall not exceed the amount of the bonus pool.

E) The Committee shall have the authority not to grant bonus awards if, in its judgment, bonus awards are not warranted.

VI. Payment of Bonus Awards Under the Plan

A) Following the completion of each Performance Year, the Committee shall certify in writing whether, and to what extent, if any, the performance objectives of such Performance Year set forth in IV A above were achieved and, if so, the amount of the bonus pool and the bonus awards payable to participants.

B) Except as provided in Section VI C or Section VII below, each participant shall receive payment, subject to all required tax withholdings, in a cash lump sum of his or her bonus award as soon as practicable following the determination of such award.

C) The Committee may specify, either before or after completion of any Performance Year, that all or a portion of any bonus award shall be paid by issuance or delivery of shares of Bankers Trust New York Corporation Common Stock or other Stock-based Awards having a fair market value equal to the cash value of the bonus award that would otherwise have been payable. Such shares or other awards shall be subject to such conditions, including deferral of delivery, restrictions on transferability, and other terms and conditions as shall be specified by the Committee. The fair market value of any stock-based payment shall be based on the average of the high and low quotations of sales of Bankers Trust New York Corporation Common Stock on the New York Stock Exchange Composite Transaction Tape on the date on which the bonus award is approved. To the extent bonus awards are paid in Bankers Trust New York Corporation Common Stock or other Stock-based Awards, such shares or other awards shall be granted under the terms and conditions of the then current Stock Option and Stock Award Plan.

VII. Deferral of Bonus Awards

The Committee may, in its discretion, approve requests for deferral of payments of individual awards. A participant may elect to defer all or any part of a bonus, provided the minimum deferred amount is $10,000. The amount of a deferred bonus shall accumulate interest at a rate as determined

from time to time by the Committee in its sole discretion. The Committee may, in its sole discretion, elect to pay a deferred bonus in installments (including any unpaid amount due an estate or other beneficiary) and such election shall be final and binding on all persons concerned. Deferred bonus awards will not be funded and no participant shall acquire any rights to any specific corporate assets.

VIII. Separation from the Corporation and Its Subsidiaries

Participants who, for any reason other than retirement, death or disability, separate from the Corporation and its subsidiaries prior to the end of the Performance Year shall not be eligible to receive a bonus award for that year, provided, however, that the Committee may, in its sole discretion, when it finds that a waiver may be in the best interest of the Corporation, waive in whole or in part any or all of the provisions of this Section VIII; further provided that the Committee may delegate the authority under this Section VIII for all participants other than those covered under Section 162(m) of the Code. Any participant may designate the beneficiary of the unpaid amount of a bonus award (including a deferred bonus) in case of death and if no designation has been made any such unpaid amount will be paid to the participant's estate.

IX. Change of Control

In the event of a Change of Control (as defined in the 1994 Stock Option and Stock Award Plan), a pro rata bonus will be paid to each participant at that time for the Performance Year in which the Change of Control occurs based on the bonus paid or accrued for the Performance Year preceding a Change of Control or, if higher, the average bonus paid or accrued for the three Performance Years preceding the year in which the Change of Control occurs.

X. Amendment, Suspension or Termination of the Plan

The Board of Directors may ratify amendments recommended by the Committee or suspend or terminate the Plan or any regulations adopted thereunder at any time. Subject to the foregoing and the terms of the Plan, the Committee may adopt or amend from time to time such regulations governing the Plan and the administration of the Plan as the Committee considers appropriate.